Apec moves
Clinton's about-face sets the stage
Page 6

Cutting edge
Pioneers in waterjets
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On unsafe ground
Why Germany's wise men are wavering
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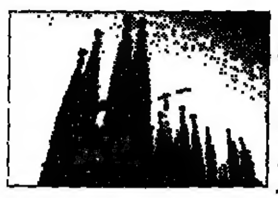


Barcelona
Contrasts on every corner
FT Traveller, Section III

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY NOVEMBER 16 1993 — D8523A

US growth speeds up as factory output increases

US factory output rose a sharp 0.8 per cent in October, providing further evidence of the accelerating pace of US economic growth.

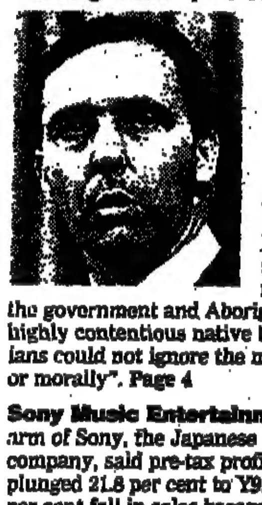
In its most buoyant assessment of industrial trends since late last year, the Federal Reserve also said output rose 4.4 per cent in the year to October, and revised figures for September to show a gain of 0.4 per cent rather than 0.2 per cent as initially reported. Page 18

Major offer on N Ireland: UK prime minister John Major acted to break the Northern Ireland deadlock by issuing the first explicit offer that if the IRA laid down its arms then he would negotiate with Sinn Féin, its political wing. Page 18

Rhône-Poulenc: The French government launched its second big privatisation, setting a price of FFr135 ($23) a share for individual investors in the chemicals and pharmaceuticals group. Page 20

Go-ahead for bridge: A Swedish court approved controversial plans to build a $3bn road and rail bridge between Denmark and Sweden, but imposed tough environmental conditions. Page 3

Keating makes plea for Aborigines



Australian prime minister Paul Keating (left) called on the nation to use high court recognition of Aborigines' land rights as "an opportunity to transcend the history of dispossession" for the country's indigenous people. Keating – who has taken a large role in negotiations between the government and Aborigine leaders over the highly contentious native title issue – said Australians could not ignore the matter, either "legally or morally". Page 4

Sony Music Entertainment, entertainment arm of Sony, the Japanese consumer electronics company, said pre-tax profits for the first half plunged 21.8 per cent to Y9.96n ($93m) on a 1.7 per cent fall in sales because of the lack of Japanese hit records. 24

BAA, the privatised British Airports Authority, is in discussions with the Italian IRI state holding company over acquiring an equity stake and management of Rome's Fumicino airport when it is eventually privatised. Page 19

Credito Italiano: Italy's first attempt at a big privatisation aimed at retail investors will start on December 6 with the sale of the IRI state holding company's 67 per cent stake in the country's sixth largest bank. Page 19; Lex, Page 18

Arafat ally shot: Gunmen shot the top official of PLO leader Yassir Arafat's Fatah movement in Lebanon. Mouin Shabaytah was taken to hospital after being hit by seven bullets when his car was riddled by submachinegun fire in Sidon. There were differing reports on whether he had died or was severely injured. He is the second senior Fatah official to be shot in south Lebanon in less than a week. Palestinians and Israel start economic talks, Page 4

Trade warning: Sir Leon Brittan, European Commission vice-president, warned that any agreement between Japan and the US that sought to increase market share of foreign companies was likely to be at the expense of the EU and called on the Japanese government to resist US pressure for such managed trade. Page 6

Civil war fear: Lord Owen, Europe's peace envoy in former Yugoslavia, said the world community would have to decide how long it could sustain intervention in the war-torn countries, saying there was a danger that intervening in civil wars only worsened the situation. Page 2

Astra, fast-growing Swedish pharmaceuticals group, announced it was in final stages of developing treatments to compete with two of Glaxo's top-selling drugs. Page 19

Would-be MPs come forward: Leading government and opposition figures are among the more than 1,500 candidates who have claimed the right to stand in the December 12 elections for the 225 seats in the Russian parliament's lower house. Page 3

Fat profits: Japan's sumo wrestlers have been awarded an average wage rise of 6 per cent for next year, meaning that the monthly salary of the top-ranking wrestlers, the yokozuna or grand champions, will be nearly Y2m ($18,800).

STOCK MARKET INDICES		
FT-SE 100:	3,083.3	(-5.8)
Yield	38.3	
FT-SE Eurotrack 100	1,347.81	(+8.49)
FT-A All-Share	1,524.77	(-0.2%)
Nikkei	18,074.61	(-418.94)
New York: lunchtime		
Dow Jones Ind Ave	3,670.81	(-13.70)
S&P Composite	463.53	(-1.86)
US LUNCHTIME RATES		
Federal Funds:	$3\frac{1}{16}$%	
3-mo Treas Bills: Yld	3.158%	
Long Bond	$100\frac{13}{32}$	
Yield	6.178%	
LONDON MONEY		
3-mo Interbank	$5\frac{11}{32}$%	($5\frac{11}{16}$%)
Liffe long gilt future:	Dec $114\frac{23}{32}$	(Dec $114\frac{11}{32}$)
NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$15.82	(15.605)
Gold		
New York Comex (Dec)	$375.7	(373.6)
London	$374.25	(375.2)

STERLING		
New York lunchtime:		
$	1.4875	
London:		
$	1.4895	(1.483)
DM	2.5175	(2.5075)
FFr	8.75	(8.73)
SFr	2.22	(same)
Y	158.75	(157.5)
£ Index	81.2	(80.7)
DOLLAR		
New York lunchtime:		
DM	1.69375	
FFr	5.886	
SFr	1.494	
Y	106.915	
London:		
DM	1.69	(1.6915)
FFr	5.875	(5.8875)
SFr	1.491	(1.497)
Y	106.5	(106.15)
$ Index	66.1	(66.3)
Tokyo close Y 105.79		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk8.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils600	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Frozen silence of Chernobyl's nuclear wasteland

By Bronwen Maddox, recently in Chernobyl

IN the town of Chernobyl, the silence is so complete it is hard to break it by talking. You breathe more shallowly, partly because it is 15 degrees below zero, and partly for fear of the radioactive dust, although the scientists who are the town's only inhabitants say there is no danger if you do not stay long.

Seven years after the world's worst nuclear disaster at the power plant 20 kilometres to the north, Chernobyl is a ghost town. China figurines are visible through the curtained windows of the two-storey green and white houses, but the grass has grown over the garden paths and the frozen roads are unmarked by tyres. Radiation meters show readings five to ten times above natural background levels – in some spots the readings leap to 5,000 times higher than normal.

When the Ukrainian plant's fourth reactor exploded in the early hours of April 26 1986, it sent clouds of radioactive plutonium, iodine, strontium and caesium drifting over Europe. The plant's isolation helps explain how none of its operators challenged their orders to carry out ill-judged tests on the reactor. Surrounded by frozen rivers curling in crazy oxbows, its white concrete sheds gleam for miles across marshes and pine forests.

A team of officials and scientists from the European Commission and the European Parliament is now working urgently with the republics of Belarus, Ukraine and Russia, the three most affected by the explosion, to try to limit the consequences for health and the environment.

Last week the team, which has given Ecu14.2m ($16.6m) for joint research programmes, warned that water supplies could become contaminated within a decade. Lack of adequate health data is handicapping efforts to measure the effect of radiation on people's health, they say; unless monitoring begins soon, it may be impossible ever to judge how many people have suffered.

Mr Gordon Adam, Euro MP for Northumbria, said: "We have to have priorities, and thyroid cancer in children is one of them." A Commission report has shown a sharp increase in the disease.

But the scale of the task in combating the radiation, which has made a wasteland of some of the most fertile land in the central European plain, is daunting. For 30km around the plant, the land is so contaminated that all normal human life has been driven out.

A six-strand barbed wire fence bars almost everyone but for the eight-man shifts who tend the plant's two remaining reactors, and scientists studying mutations in plants and animals. The

Continued on Page 18
A fall out among friends, Page 16

Brussels says EU must act on jobs or risk social unrest

By Lionel Barber in Brussels

THE European Union risks social unrest and the end of its dreams of a single currency unless it tackles unemployment immediately and restores economic competitiveness, according to a confidential draft by the European Commission.

In a blunt assessment, it says the present and short-term economic outlook in the 12 member states is "dismal". The number of people out of work, now nearly 18m, is likely to remain at "alarming" levels for the next three to four years.

The Commission document is intended as a macroeconomic blueprint for the European Union to the end of the century. It will be submitted to heads of governments for approval at the Brussels summit next month.

Among the paper's chief recommendations are:

- A reduction of short-term interest rates of between 2 and 3 percentage points in the EU average. Interest rates could fall "substantially" in Germany, but only if wage rises are curbed and the public deficit reduced.
- Real wage increases to be increased by 1 percentage point less than productivity growth, as "an acceptable rule of thumb".
- A progressive increase in national savings, in particular through lower public deficits. The paper also calls for stronger public investment and an inflation target of between 2 and 3 per cent.
- More flexible labour markets and a broadening of the tax base. That would make it cheaper to hire labour, improve women's chances of finding work, and increase employment in small to medium-sized businesses.

The Commission paper confirms earlier reports that Brussels has set itself a goal of creating at least 15m new jobs, halving the present rate of unemployment by 2000.

That mirrors likely targets in a forthcoming white paper on employment and competitiveness being prepared by Mr Jacques Delors, president of the European Commission. The white paper will be the centrepiece of next month's summit in Brussels.

The Commission paper warns that the goal implies very high rates of job creation to be maintained "over many years". At present, the European economy can only manage growth rates of little more than 2 per cent without inflationary overheating.

Failure to act, the paper says, may trigger a political crisis that would postpone the goal of EMU indefinitely. "The Community would be plunged into the deep divergent conditions that prevailed 20 years ago, after the first oil price shock, but with a much worse social situation."

The paper, *Restoring Growth and Employment – Strengthening Convergence*, has assumed added significance as a guide to macroeconomic policy after the collapse of the European exchange rate mechanism.

The Commission argues that member states are unlikely to succumb to the temptations of a dash for growth through lower interest rates and competitive devaluations in the newly flexible ERM.

"They have clearly weighed up the advantages of this increased monetary room for manoeuvre against the potential danger associated with the loss of counter-inflationary credibility, the breakdown of monetary co-ordination and excessive exchange rate volatility."

The paper also renews calls for more credible "convergence" programmes for member states, implying that previous efforts were less than satisfactory.

Shares decline as parties prepare for showdown

Hosokawa fails to win deal on reforms

By William Dawkins and Robert Thomson in Tokyo

LEADERS of Japan's coalition government and the opposition Liberal Democratic party failed to reach agreement on electoral reforms early today, setting the scene for a parliamentary showdown that could again shake the country's political system.

Prime minister Morihiro Hosokawa met Mr Yohei Kono, the LDP leader, for two hours in an attempt to resolve disputes over proposed legislation, but they were left far apart on important sections of four bills intended to clean up Japanese politics.

"It's very disappointing," Mr Hosokawa said. "We have given them a lot of time to discuss these things."

Mr Hosokawa has indicated that he will resign if reforms are not introduced by the end of the year, and his coalition needs to have the bills passed by the lower house of Japanese parliament this week if the prime minister is to keep to his timetable.

He said that unless the LDP was prepared to make concessions, the coalition would break with tradition and attempt to push the bills through the parliament without reaching a consensus with the opposition.

The meeting of the two leaders was seen as a last attempt to settle disputes amicably, and while Mr Kono said the discussions were "useful", Mr Hosokawa said the LDP had failed to respond to the government's offer of concessions.

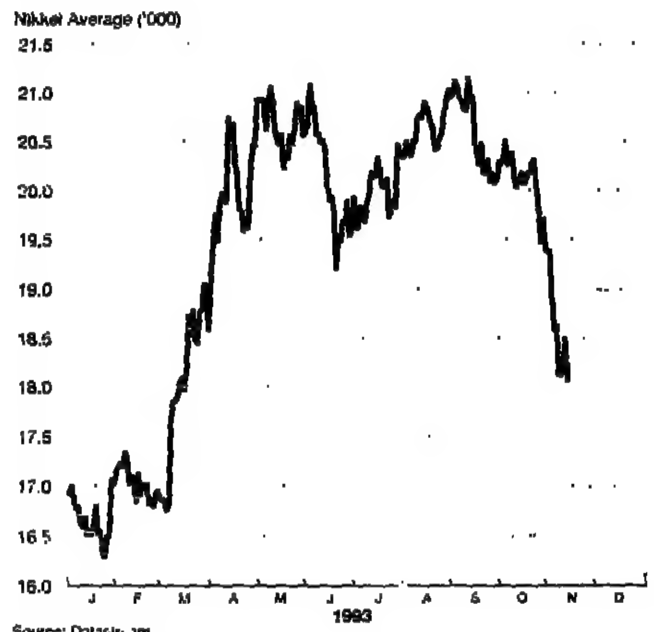
Even before the meeting, the Nikkei average lost 2.3 per cent, partly on fears that if the reform bills do not pass through the lower house in the next few days, there would be big delays in measures to boost the economy.

The government wants the present scandal-prone multiseat constituency system to be replaced by a mix of single seats and proportional representation, with 250 representatives chosen through each method, a total of 500 members in the Lower House.

However, Mr Hosokawa offered to have 274 seats chosen through small constituencies, bringing the government closer to the LDP demand for 300 single-seat representatives, which should favour it as the largest party. Mr Kono, under pressure from party elders, rejected the government offer.

Japan

Nikkei Average ('000)



Source: Datastream

The Nikkei average lost 2.3 per cent yesterday, on worries over political reform negotiations, arbitrage selling and unwinding of margin positions, writes Emiko Terazono in Tokyo. The 225-issue index fell 418.94 to 18,074.61 after a high of 18,506.95 and a low of 17,952.20. Volume was 280m shares against 438m. Traders said that many investors were concerned about the prospects of Mr Morihiro Hosokawa, the prime minister, achieving a breakthrough in political reform talks with the opposition Liberal Democratic party.

"If the political reform bills do not pass through the lower house in the next few days, there will be a big delay in decision-making regarding measures to boost the economy," said Mr Yasuo Ueki at Nikko Securities.

Markets, Section II

Probe into US state election ordered

By Jurek Martin in Washington

A FEDERAL JUDGE and the state attorney-general yesterday ordered investigations into the possible suppression of the black vote in the governor's election in New Jersey two weeks ago.

It was not immediately clear if the investigations would call into question the validity of the election, in which Mrs Christine Todd Whitman, the Republican candidate, ousted Governor James Florio, the Democratic incumbent, by a mere 2 percentage points.

At least one prominent black civil rights organisation in the state has urged the new governor not to take office in January as scheduled but to wait until the results of the investigations are known.

The judge, sitting in Newark, ordered Mr Ed Rollins, Mrs Whitman's campaign manager, to testify under oath about post-election interviews in which he asserted that the campaign had paid up to $500,000 (£330,000) to assorted black ministers in implicit return for their not exhorting their parishioners to vote for Mr Florio.

Under pressure from Mrs Whitman, Mr Rollins subsequently retracted his statement and apologised for any offence. Later the Whitman campaign issued figures showing that about $48,000

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Tailor to the tsars buys into biggest Russian suitmaker

By Leyla Boulton in Moscow and Daniel Green in London

BRITISH purveyors of overcoats to Russian tsars and Politburo chiefs yesterday acquired 49 per cent of Russia's biggest suitmaker as part of the gradual emergence of foreign investment in the country's mass privatisation.

Despite its name, which literally means "Bolshevik Woman", the Bolshevichka factory today produces only menswear, 350,000 suits a year. It may expand to women's clothing in future.

The investor is Illingworth Morris, a British company created by a Lithuanian emigré early this century. It makes menswear sold under labels such as Crombie and Christian Dior.

Links between Illingworth Morris and Moscow are already strong: 60,000 Crombie coats were once supplied to the former Soviet Union each year. Customers included Mr Mikhail Gorbachev and other Communist party leaders as well as at least one tsar.

Mr Alan Lewis, chairman and owner of Illingworth Morris, is investing $5.5m, mostly in technological knowhow, training and licensing. He said his strategic aim was to ensure a presence in a country which "could become a centre of production for western Europe in the next decade and beyond".

The $5.5m, to be invested over five years, includes $2.5m for the right to produce the Crombie label, which belongs to Illingworth Morris, and Christian Dior, for which it has the UK licence.

The price tag on Illingworth Morris's retail network and the establishment of Bolshevichka's own western marketing structure is $1m.

Transferring knowhow and setting up a new production line to manufacture an additional 35,000 suits at Bolshevichka's existing plant is valued at $2m in the tender documents. The remaining 51 per cent of the company is owned by Bolshevichka's staff and management.

The deal is the latest chapter in the extraordinary story of Illingworth Morris. Mr Lewis, holder of a black belt in karate, a born-again Christian and one of Britain's richest men, won control of the company in the 1970s after a long battle with Mrs Pamela Mason, widow of film actor James Mason.

She was a Hollywood talk show hostess and heir to Isadore Ostrer, a penniless immigrant who rose to become a merchant banker, film impresario and textile magnate in prewar Britain.

Bolshevichka's general director, Mr Vladimir Gurov, is also a colourful character. Mr Gurov, at 40, is one of a new breed of Russian capitalists, dressed in a natty tweed blazer. He said Bolshevichka expected to export 10-15 per cent of its output.

CONTENTS

Belgian strike campaign launched

By Andrew Hill in Brussels

BELGIAN unions yesterday fired a warning shot across the bows of the country's government with the first of a planned series of strikes to protest against proposals to cut wage costs and improve industrial competitiveness.

Ministers from Belgium's centre-left coalition were last night said to be entering the final stages of talks on measures which should cut social security payments and increase indirect taxes.

Foreign investors and currency markets are watching the negotiations closely. Analysts believe that if the government does not attack Belgium's central problem of a looming budget and social security deficit, the Belgian franc will come under renewed speculative pressure. During September and October, the Belgian central bank had to fight hard to maintain its strict policy of shadowing the D-Mark.

Some market analysts said yesterday they feared Mr Jean-Luc Dehaene, Belgium's Christian Democrat prime minister, might have to water down his strict line on government spending, to avoid a schism with his Socialist coalition partners.

Yesterday's industrial action was particularly successful in Wallonia, the French-speaking southern part of Belgium, paralysing the region's industry. That only emphasised the difficulties for the government, because the French-speaking Socialist members of the coalition are the most uneasy about the government's plans.

Public transport in the cities was also hit by the action, *although the state railway*, and Sabena, the national airline, were almost unaffected.

However, Socialist and Christian unions have promised a series of strikes over the next few weeks, targeted on *different regions of Belgium*. The unions say their action will culminate, "if necessary", in a general strike, to coincide with the summit of European Union leaders in Brussels on December 10.

The French-speaking and Dutch-speaking Socialist parties are keen that reductions in social expenditure should be offset by increases in property and withholding tax. Christian Democrats are calling for savings of BFr75bn (£1.4bn) on social security expenditure, while the Socialist parties want to raise at least BFr30bn through indirect taxes on investment.

The unions yesterday attacked Belgian industry for hiding behind the government's proposals. The employers' federation said the industrial action was negative for industry as well as for the majority of Belgian citizens.

Reuter

A Moslem woman treks through the snow with her child and elderly parents as they flee the town of Fojnica ahead of a Croat attack

Owen questions Bosnia action

By Tony Jackson

LORD OWEN, Europe's peace envoy in former Yugoslavia, yesterday warned that the world community would have to decide how long it could sustain intervention in the war-torn countries.

In a speech to the Confederation of British Industry in Harrogate, northern England, Lord Owen said there was a danger that intervening in civil wars only worsened the situation. "Europe can help, above all with humanitarian aid. But let us not forget we are feeding the warriors, we are interfering with the dynamics of war . . . becoming more and more unjustified as it becomes a battle for smaller elements of territory, smaller elements of principle.

"There will come a moment when the world community will have to decide how long we can sustain intervention."

Lord Owen argued that the UN could not settle other peoples' problems – "all it can do is help them to settle their own problems". He added: "You have to realise that they operate under the same dynamics as we have operated in our history and rightly or wrongly – and I believe wrongly – these people are still intent on fighting each other."

However, no one should feel "totally ashamed" of what Europe was trying to do in former Yugoslavia. In response to calls for greater military intervention, Lord Owen said: "Do not believe that we can solve the problem from the safety of 10,000 ft from an aeroplane." Nonetheless, the European Union's policy towards former Yugoslavia showed the difficulties of trying to impose one a single foreign policy.

This led to the mistake of recognising Croatia and then Bosnia because member states wrongly believed they needed to have a common foreign policy. "It's time to realise that there is no need to feel guilt-ridden if all 12 countries do not make the same decisions."

Brussels clears telecoms venture

By Andrew Hill

THE European Commission has cleared a joint venture between 12 of the world's largest telecommunications groups, aimed at providing specialised communication services between financial centres.

But the Financial Network Association, which includes six European companies, had to give special undertakings that it would not discriminate against private service suppliers. The FNA also undertook not to use revenue from "reserved" monopoly services to subsidise services such as data transmission, which are already open to competition.

The FNA, set up in March 1992, will offer worldwide services to financial institutions through the networks of the companies involved. They are: France Telecom, Belgacom, the Belgian state telecoms company, Italcable of Italy, Mercury Communications of the UK, Telfonica of Spain, Deutsche Bundespost Telekom of Germany, Telstra of Australia, Hong Kong Telecom, KDD of Japan, MCI of the US, Singapore Telecom and Stentor of Canada.

Hitachi components move

By Andrew Hill

HITACHI, the Japanese electronics group, yesterday launched a co-operative programme aimed at improving the competitiveness of European electronic component manufacturers.

Mr Toru Fukui, general manager of Hitachi's European office, warned that without a guaranteed reliable and stable supply of components from western Europe, both Japanese and European consumer electronics groups would be forced to seek supplies in Asia or eastern Europe. He said manufacturers based in Europe, whether Japanese or European, had "a very serious common headache".

The Japanese group yesterday invited its own European suppliers – and component manufacturers nominated by any European users – to take part in the year-long programme.

Hitachi will promote exchanges of information between product manufacturers and their suppliers, while asking its own engineers in Japan and at its plant in Wales to guide suppliers on what manufacturers require. The Hitachi programme is inspired by the EU-Japan joint initiative to strengthen European components suppliers, launched in 1991. That programme has encouraged Japanese and European consumer electronics groups, government, European Commission officials and trade organisations to pool views on the strengths and weaknesses of the European industry.

Mr Toru Fukui pointed out that more than 80 per cent of the VCRs manufactured in Europe were now made by Japanese companies, and two-thirds of the colour televisions.

It's springtime for Prague privatisation

Patrick Blum reports on the Czech government's determination to promote a new wave of sell-offs

CAPITALISM may have lost its gloss for Prague intellectuals infuriated by the demise of state support for film makers, but the Czech government has lost none of its fervour for sweeping privatisation.

Now free of its entanglement with Slovakia – although not of the asset disputes that followed the divorce of the two republics on January 1 this year – the government is launching a wave of mass privatisation by vouchers.

Around 770 companies are up for sale, with a book value of CzK145bn (£3.3bn), using voucher books on sale since October 1. The first of five bidding rounds for shares are due to start in February and investors should receive their shares by the end of next year.

A similar scheme in the former Czechoslovakia, in 1991, drew 8.5m Czech and Slovak investors. But critics say the process is too slow, and prone to manipulation and delays.

Shares of companies sold in the first wave were only transferred to individual investors and privatisation funds – which control more than 70 per cent of privatised stock – this summer. "We're only starting to look at the numbers. We're all discovering what we really own," says one fund manager.

Mr Viktor Kozeny, whose Harvard Capital & Consulting company is the third largest fund in terms of asset value with stakes in 51 companies, says he wants to sack about one-third of his companies' managers and employees to make them more efficient and profitable.

Other funds prefer to wait and see how their companies perform, encouraging managements to adapt to the new market conditions gradually, rather than forcing boardroom revolutions.

Critics say such caution may be commendable, but it is delaying restructuring and the rationalisation of companies deeply in debt. The collapse of traditional markets in the former Comecon trade bloc, and the disruption caused by the transition to an emergent market economy, have led to a huge amount of inter-company debt, variously estimated at CzK80bn-CzK150bn. No one really knows the exact amount.

Estimates of the private sector's share in the national economy vary from 40 per cent to 60 per cent, but its share of industrial production remains below 20 per cent and almost two-thirds of the workforce is still employed in the public sector. The government believes, however, that the scheme is the quickest way of off-loading a large volume of state assets, even if its impact on the economy is delayed.

Meanwhile, privatisation funds have to come to grips with managing their newly acquired portfolios. The biggest fund backed by Ceska Sporitelna, the large savings bank, has more than 1m shareholders and 514 companies in its portfolio; three other funds have stakes in more than 260 companies each.

Vested interests, and the fear that precipitate action could unleash an uncontrollable wave of bankruptcies, have encouraged a wait-and-see approach, disappointing those hoping for more rapid change.

A new bankruptcy law, which came into force in April, was designed to help encourage companies to settle their accounts or face insolvency proceedings, but until now there has been only a trickle of business closures.

The government would like the process to be speeded up, but institutional investors are more guarded. The banks, which are owed about CzK130bn in loans, are reluctant to start bankruptcy proceedings which may embroil them in costly and lengthy litigation with little prospect of recovering their money.

"The banks provide financial backing for the funds which own important stakes in a large number of companies which owe money to each other and to the banks. So nobody wants to rock the boat," says one analyst.

No one knows how long this state of affairs can be maintained, but it is a potential cause of instability in an already fragile structure.

Uncertainty has been reflected in erratic trading on the Prague Stock Exchange and the rival over-the-counter RM-System. Trading volumes have been small, with sudden bursts of activity caused by a few large transactions in a handful of shares. Share prices, which had been in the doldrums for months, have risen sharply recently as investment funds consolidate their positions. However, analysts believe that on the current rate of increase some shares may soon be overpriced.

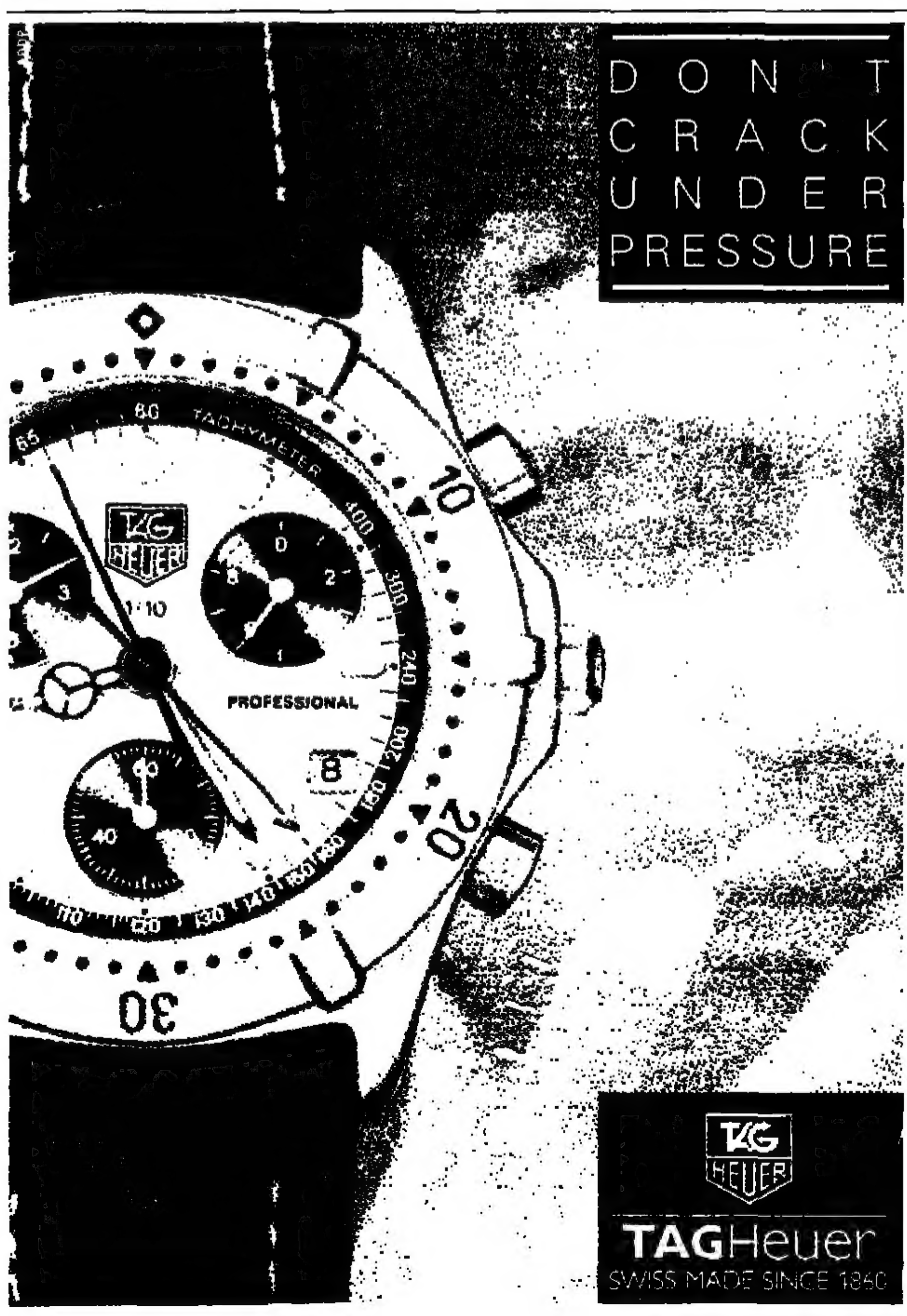
One drawback is that foreign investors have stayed away, preferring to deal off the exchanges and directly with the funds, making it difficult to know what is really happening in the market.

"There is a split market with two systems, not enough transparency, and there are no custodian facilities for foreign investors. If people trade off the exchanges, there's no way to know what's going on," says one fund manager.

This may not worry Czech investors paying CzK1,000 plus a small fee for their voucher books. Lured by the hope of quick prosperity, millions of Czechs contributed to make the first voucher privatisation a resounding success, but the appeal may have faded.

About 2.1m Czechs have registered since voucher books went on sale last month. The authorities hope up to 3.5m people will register by the end of November deadline.

A full picture will only be available once the official list of investors is published in January or February. Until then, investors will have to wait to know whether they have made a wise choice.



Russian candidates line up for poll

By John Lloyd in Moscow

MORE THAN 1,500 candidates have claimed the right to stand in the elections for the 225 seats in the Russian parliament's lower house which are to be elected from single-member constituencies.

The list for the elections on December 12 includes leading figures from both government and opposition.

The lists were closed as Mr Boris Yeltsin, the Russian president, re-opened the possibility of his standing as president in elections next June before his term of office expires. He told the daily Izvestiya in an interview that the decree on holding a presidential election had not been cancelled, and that he wanted to hear the new parliament's opinion on the issue.

He said, however, that his "heart was not in pre-term elections" – since it would be yet another referendum in trust in the president. He said the decision to call the election had been made when he was seeking a compromise with the former parliament – a situation which no longer applied.

The candidates for the lower house, or State Duma, will be elected both by party lists – chosen from 13 groups cleared to stand – and from first-past-the-post constituencies. Conservative figures such as Mr Yuri Voronin and Mr Valentin Agafonov, former senior officials of the dissolved parliament, are seeking seats – as is Mr Sergei Baburin, a former leader of the hardline Russian National Unity group.

Two of the ringleaders of the parliamentary rebellion, Mr Ruslan Khasbulatov, former speaker, and Mr Ilya Konstantinov, a leader of the National Salvation Front, both in Lefortovo prison awaiting trial, were said by news agencies to have collected enough signatures to allow them to stand. However, Mr Andrei Byeloborodov told Reuters that Mr Konstantinov – and presumably also Mr Khasbulatov – would be barred from standing.

Opinion polls from throughout the country show much confusion and a huge proportion of people undecided as to how to vote – though Russia's Choice usually comes out well.

However, the Communist party also polls relatively highly, as does the pro-Communist Agrarian party.

Spanish inflation increases to 4.6%

By Tom Burns in Madrid

OCTOBER price rises pushed Spain's year-on-year "headline" inflation up by 0.1 per cent to 4.6 per cent, reversing the downward trend of recent months, despite the country's continuing recession and high unemployment.

However, the economy ministry said October's rise was "transitory" and stressed the fall in the year-on-year underlying inflation index, which excludes volatile energy and non-processed food prices, from 5.4 per cent to 5.3 per cent, the lowest underlying level since May 1988.

Food prices in October last year were unusually low, and kept the October 1992 rise down to 0.1 per cent.

The ministry said October figures nevertheless stressed that Spain's inflation-prone economy required structural reforms to deregulate the labour market and the services sector as well as an agreement on wage restraint.

The worst figures facing the government concern unemployment. Registered jobless rose by 95,969 in October, the highest monthly rise since 1982, said the National Employment Institute, to total 2.6m or 17.2 per cent of the working population.

Some 7,000 police protest in front of the Coliseum in Rome yesterday against a government decision to privatise urban police forces

Reuter

French student protest to continue

By David Buchan in Paris

FRENCH STUDENT leaders yesterday called for further demonstrations on Thursday after leading a protest march through Paris' Latin Quarter to the National Assembly which was debating next year's education budget.

Elsewhere students briefly blocked trains leaving Rennes in Brittany and in the south students occupied part of the university of Aix-en-Provence. But the demonstrations in protest at what students see as the Balladur government's neglect of higher education did not draw the massive support that its leaders had hoped.

Mr Jean Glavany, the Socialist party spokesman, denounced the government for abandoning the previous Socialist government's priority for education, and described as "laughable" the present government's attempts to deal with understaffing in France's universities.

The main problem sparking yesterday's demonstrations seems to be the surge of students embarking on courses this autumn in social sciences and psychology, whose university faculties have become very overcrowded, while many vacancies exist in universities' technical faculties.

Portuguese police accused

By Peter Wise in Lisbon

AMNESTY International, the human rights organisation, said yesterday it had received a large number of complaints of torture and ill-treatment of detainees by Portuguese police and prison service officers.

"It is unusual and highly disturbing to receive such a large number of allegations from a European [Union] member."

It said the most common forms of alleged ill-treatment were repeated kicks, punches, kneeing, pistol-whipping and beatings with truncheons. Detainees have also reported beatings with rubber and flexible metal hosepipes. Others have claimed to have had objects forced into the anus and to have been threatened with physical – including sexual – assault.

Portugal will answer the charges in Geneva today before the UN Committee against Torture. Mr Fernando Duarte, Portugal's director of prison services, said the treatment of prisoners had greatly improved and there had been no fresh allegations of ill-treatment in recent years.

"Public service officers from all branches of law enforcement and prison services are acting with virtual impunity – despite the Portuguese government's voluntary accession to the UN Convention against Torture in 1989," Amnesty said.

Warring Tajiks slide to economic collapse

Gillian Tett reports on a second winter of civil strife in the absence of energy and hard currency

THE Tajik people do not yet have an everyday word for "economic collapse." In the coming months, however, they may need to invent one.

As Tajikistan enters the second winter of a civil war that has claimed up to 100,000 lives, out of a population of 5m, and left many more homeless, the republic, which was once one of the most pleasant in the Soviet Union, has become one of the most tragic.

As an international aid worker based in the capital Dushanbe says: "Because the western TV cameras haven't been here, the rest of the world has been ignoring it. But what's happened here is as bad as Georgia – and in some ways parts of Bosnia as well."

The current Tajik government, stung by these comments, are at pains to point out that the worst may be over. After a year of bitter fighting between the government and opposition, the rebels have mostly been pushed south to Afghanistan, and the gun-battles confined to the border and eastern mountains.

Some 50,000 refugees have returned to their homes, and two-thirds of the cotton crop, and most of the grain, has been salvaged.

But fighting may flare up as snow pushes the rebels down from their mountain hideouts, and a political solution is still nowhere in sight.

Even by the standards of the former Soviet Union, the battle in Tajikistan has been viciously convoluted. Although both sides have been quick to use "anti-Communist" and "anti-Islamic fundamentalist" tags, the issue at stake has not been ideology, or even nationalism, so much as regional rivalries.

On one side is a shaky alliance of the Tajiks from the Kulyab and Khodjent regions, heirs to the former Communist regime and the government. On the other side are the people of the south-west and Garm regions, who overthrew the Communists 18 months ago, but were then overthrown by Russian and Uzbek backed troops.

The government and Russians label the opposition "Islamic Fundamentalist," and claim they are supported by international Islamic groups – a claim given credence by western intelligence sources, who say not only are Afghan leaders such as Gulbuddin Hekmatyar involved, but also groups in Pakistan and Iran.

The issue is not ideology, or even nationalism, but regional rivalries

"The key to the conflict is in Afghanistan. The fundamentalists there have managed to use Tajikistan for their work," says Mr Abdulmalik Abduladjanov, Tajik prime minister.

In practice, though, the opposition includes not just Islamic groups, but also secular democrats taking refuge in Moscow, the people of Pamir in the east, which is pushing for independence from Tajikstan, and a huge number of apolitical Tajiks.

Mr Abduladjanov says he is willing to negotiate with the rebels. But after a year of suffering atrocities and ethnic cleansing, the rebels seem set on a revenge in arms.

"We have bases across the country and all the strength we need," says Mullah Davlat Usmon, military "minister" in the opposition, in his stronghold in Pamir.

Time may be on their side. Resentment on the part of the Khodjentis, the former soviet era leaders, at the Kulyabis' new power is threatening the government alliance. And though the rebels are no match for the Russian peacekeeping troops stationed on the border, their guerrilla campaign is steadily pushing the country into economic crisis.

With 93 per cent of the republic covered with mountains, Tajikistan has never been rich – in Soviet days it sent its cotton and minerals to Russia, receiving energy supplies and some 80 per cent of its budget subsidies.

However, the war has now left it critically short of energy and hard currency. The capital, Dushanbe, is virtually without heating, and electricity in much of the country is erratic. There is virtually no air service, due to the lack of petrol. Industrial production has slumped sharply, by 50 per cent in Dushanbe alone. The 1993 budget deficit is expected to exceed 50 per cent of GDP.

In an effort to relieve the energy crisis, the Tajik government recently travelled to Turkmenistan to beg the Turkmens not to charge hard currency for gas and petrol supplies. A deal was signed – partly because Tajikistan controls part of the water supply to Turkmenistan – but as one Tajik minister said: "What can we offer them? Just fresh air."

The key effect of this crisis has been to push Tajikistan back into the arms of the Russians. In spite of speculation last year that Persian-speaking Tajikistan could fall within the orbit of Iran or Turkey, the Iranian presence in the republic remains low key.

Tajikistan is in no position to print its own currency, and wants to remain part of the rouble zone. But with the republic unable to match the Russian Central Bank's tough new fiscal demands, Russia has refused to issue Tajikistan with any new roubles, forcing it to use pre-1993 Russian tender, now technically invalid in Russia. Inflation is spiralling and its economic isolation is growing.

Mr Abduladjanov himself sadly concludes: "Tajikistan is rich in many resources. But to attract any investment we need stability – and that will take a while yet."

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Denmark-Sweden bridge go-ahead

By Hugh Carnegy in Copenhagen

A SWEDISH court yesterday approved controversial plans to build a $3bn (£1.9bn) road and rail bridge between Denmark and Sweden, but laid tough environmental conditions on the project.

Sweden's prime minister Carl Bildt said his right-centre coalition, which is split on the issue, would soon take a final decision on the 17km link between Malmo and Copenhagen, on which construction is supposed to begin next year.

Sweden and Denmark agreed to build the bridge in 1991, but it has faced strong opposition, particularly in Sweden, because of fears it would hinder vital salt water flows into the already heavily-polluted Baltic Sea and break international agreements on limiting vehicle exhaust emissions.

The so-called Water Court, which rules on all projects effecting waterways, gave the go-ahead, but insisted on changes in the construction proposals drawn up by the Swedish-Danish consortium planning the bridge.

It called for a shift in the planned site of an artificial island, tight controls on spillage from dredging, and three-dimensional computer models of the construction process to be commissioned from two independent institutions before construction went ahead.

Palestinians, Israel start economic talks

By Julian Ozanne in Paris

ISRAELI and Palestinian economists were set to begin talks in Paris last night to determine economic relations between Israel and the new Palestinian self-governing authority which will take over administration of the Gaza Strip and West Bank area of Jericho next year.

Mr Avraham Shochat, Israeli finance minister, was expected to meet Mr Ahmed Qurie (Abu Ala), PLO economics chief, for the first face-to-face economic negotiations since the two sides signed the historic Israeli-Palestinian peace accord two months ago.

Among issues to be discussed are an Israeli proposal for a customs union and harmonisation of customs duties and taxes, rules on trade between the two entities, migrant Palestinian labour to Israel, the tax regime of the "autonomy", aid and development projects and currency, and banking and financial sector policies.

The meetings coincide with resumed talks in Cairo on Israeli withdrawal from Gaza-Jericho, seeking to define the territorial delimitation of "Jericho" and agree how many Israeli troops can remain in Gaza to protect up to 5,000 Jewish settlers. The economic agreements and all matters on the withdrawal from Gaza-Jericho must be agreed in a protocol in less than four weeks.

At the heart of the Paris talks, which begin formally this morning, is the customs union. Israel wants the Palestinians to accept one, along with harmonisation of all external customs and taxes. The Palestinians have criticised the proposal, saying adopting Israel's customs duties would make consumer goods too expensive for Palestinians, with a per capita income of $1,500 (£993)-$1,800, against Israel's $13,000.

Israel has warned that if the Palestinians reject a customs union, the Israelis would have to put heavy controls on border crossings to stop cheap untaxed goods passing from the Palestinian economy into Israel.

The Israelis also want curbs on Palestinian exports into Israel of farm products such as eggs and poultry. The Palestinians say any such curbs would result in Palestinians taking measures against Israel's industrial exports.

The Palestinians will focus their demands on winning greater access for Palestinian migrant labourers to the Israeli economy and on better terms for those workers. Israel and the PLO have expressed considerable scepticism about the possibility to bridging the wide gap on these issues.

A Palestinian motorist shows a heavy rock to an Israeli soldier in Hebron yesterday. He complained that Israeli settlers had thrown it through his windscreen Reuter

Japanese bankruptcies rise as demand sinks

By William Dawkins

CORPORATE bankruptcies in Japan are rising steadily, as consumer and industrial demand continues to sink, the latest economic statistics say.

The number and size of corporate casualties rose from September to October, but are still well down on the same period last year, two credit research agencies said yesterday.

Bankrupt companies' unpaid debts rose 12.2 per cent to Y485.8bn ($4.6bn) from September to October, according to Tokyo Commerce and Industry. But the total, up for the third month running, was 39 per cent less than October last year.

Teikoku Databank, another credit researcher, recorded a 6.2 per cent rise to 1,258 in the number of bankruptcies, the second highest since the turn of the year.

Both agencies believe business collapses will worsen in the next few months because the recession shows no signs of abating. Neither survey includes the collapse two weeks ago of Muramoto Construction, the largest post-war financial failure, with debts put by Teikoku at Y590bn.

Another sign of the economy's weakness came yesterday with a 4.5 per cent year-on-year fall in domestic orders for industrial machinery in the six months to September.

Orders overall, at home and overseas, were stagnant, up 0.2 per cent to Y3,238bn. But that was entirely because of a rise in contracts to build oil and chemicals plants in the Middle East and sales of power generation equipment in south-east Asia, said Japan Society of Industrial Machinery Manufacturers.

Consumer spending continues to slide, according to the Japan Department Stores Association. Department store sales in Tokyo, a bellwether of national consumer sentiment, fell for the 20th month running in October. Sales fell by 10.4 per cent last month from October last year, said the association, with the decline taking place in all departments.

See International Company News for Isetan department store results

The UN decision to abandon its policing role leaves the streets to lawless clan fighters

Bandits and gunmen retake Mogadishu

By Leslie Crawford

BANDITS and gunmen are retaking control of Mogadishu as a result of the United Nations' decision to abandon its policing role in the Somali capital, UN officials said yesterday.

They said armed gunmen were walking the streets with impunity, while "technicals" – jeeps with mounted guns – had made their first appearance since US Marines banished them from the capital last December. Mogadishu's Bakara market is reported to be doing a flourishing trade in weapons.

An American civilian working for the UN Operation in Somalia (Unosom) was shot dead on Saturday by robbers who stole his car. Two other UN workers were wounded.

The British charity Care International says its Somali security chief was killed by a stray bullet during a shoot-out outside its offices last week.

"Security in Mogadishu is deteriorating rapidly," Mr George Somerwill of Care International said. "There is a real risk that the capital might slide back into anarchy."

UN policy in Somalia has been in disarray since 18 US troops were killed in a battle with Gen Mohammed Farah Aideed's militias last month. Under pressure from Washington, the UN military command has given up attempts to disarm militias by force – abandoning, in effect, the first UN peace-enforcing mandate authorised by the Security Council in May. Unosom has also dropped its hunt for Gen Aideed, who is wanted for the slaying of 24 Pakistani peacekeepers in June.

A UN policy analyst, who requested anonymity, said the 14,000 UN troops in Mogadishu were under orders to protect themselves and avoid further loss of life. "As a result," he said, "Somalia's warlords believe the UN will not intervene in inter-clan fighting. If the UN maintains this passive military role, it might as well leave Somalia altogether."

Aid workers also report the UN's hands-off policy is emboldening bandits who have not had a chance to engage in serious looting since the US launched its humanitarian military intervention in December 1992. Food distribution and food-for-work programmes have been much curtailed.

In addition to inter-clan warfare, UN military officials believe Islamic fundamentalist groups are aiding Gen Aideed with money and arms.

Major David Stockwell, the UN military spokesman, said intelligence reports indicated "the presence in Mogadishu of an unspecified number of individuals, possibly Hizbollah fundamentalists, with expertise in car bombings".

However, non-government organisations working in the capital believe these reports are exaggerated. Somalia's battle-hardened militias are not thought to need coaching in the handling of explosives. It is possible, nevertheless, that Gen Aideed and his rivals are re-arming their militias with the help of fundamentalist groups.

In the wake of the rising lawlessness in Mogadishu, Mr Boutros Boutros-Ghali, the UN secretary-general, yesterday presented the Security Council with three different options for the future of the troubled UN operation in Somalia.

The alternatives range from maintaining the present mandate and force of about 29,000 troops, to securing only ports and airports with a scaled-down military presence. A review of Unosom has become imperative because the US plans to withdraw its 7,500-strong contingent by the end of March, while France, Belgium and Sweden have also announced their intention to pull out of Somalia.

Mr Boutros-Ghali says he has written to 42 UN member states in an attempt to fill the vacuum that will be left by the departing troops.

Keating plea over Aborigine rights

By Nikki Tait in Sydney

MR Paul Keating, Australian prime minister, yesterday called on the nation to use high court recognition of Aborigines' land rights as "an opportunity to transcend the history of dispossession" for Australia's indigenous people.

In a rare televised address to the country, Mr Keating – who has taken a large personal role in negotiations between the government and Aborigine leaders over the highly-contentious native title issue – said that Australians could not ignore the matter, either "legally or morally".

However, he provided no advance details of the government's bill on Aboriginal land rights, which is due to be introduced into parliament later this week, possibly today.

The proposed legislation follows a High Court ruling last year, which did away with the notion that Australia was uninhabited before European settlement and said native title could exist where there had been "close and continuing" association with the land.

Despite Mr Keating's claims that there needed to be a national standard for land rights determination, the recalcitrant Western Australian government maintained its opposition to the federal package yesterday. Western Australia is the area most likely to be affected by the land rights legislation. In theory, about 40 per cent of the state could be subject to native title claims.

Mr Richard Court, the Western Australia's premier, threatened to speed the passage of his own state's rival land rights legislation if the commonwealth denied full public and parliamentary debate on the federal legislation.

The Western Australia government has already published a bill which would extinguish native title, but recognise in law the rights to "traditional usage" of the land by Aboriginal people. Mr Court has been emphatic that the states should retain control of land management, and should not be constrained by any commonwealth measures.

Top China meeting 'falls a bit flat'

By Tony Walker in Beijing

CHINA'S just-ended Central Committee meeting was billed the most important since the 1978 party plenum which launched the country's reform drive, but a bland communiqué issued after four days' talks provided little substance.

The tone of the communiqué, which contented itself with repeating well-established positions, has fuelled speculation about divisions in the leadership over the pace and scope of economic reform.

Delays in releasing a promised 50-article manifesto of reform suggest further discussion is required, hence the lack of detail in the statement and the conspicuous absence of supporting documents.

A Western official in Beijing said the much-heralded third plenary session of the 14th Central Committee appeared to have "fallen a bit flat." There appears to be "quite a lot more sorting out to do," the official added.

Among contentious issues debated in closed session by the 182-member committee were those dealing with a new federal-style tax regime to divide revenues between the centre and the provinces, and a re-definition of the limits on reform of faltering state enterprises to facilitate a process of corporatisation and privatisation.

Both these issues are certain to have produced some sharp exchanges among China's rulers. Provincial leaders are wary about allowing Beijing to strengthen its grip on the purse strings through far-reaching reforms of the tax system.

A state enterprise lobby is nervous about proposed reforms of the public sector, fearing that additional pressures on faltering industries will drive many into bankruptcy and cause widespread unemployment and social unrest.

Many officials also owe their party status to their association with industries which are having difficulty adapting to the demands of a market economy. These officials are fighting to preserve their fiefdoms.

Western officials say it is premature to judge the importance of this latest party plenum until supporting documents have been released, but they add that the delays show there are significant pockets of resistance to the reformers such as Mr Zhu Rongji, senior vice-premier in charge of the economy.

Cocom: a brute turned super sleuth

David Dodwell on plans to abandon a web of controls

COCOM'S historic role of economic attrition against the Soviet Union and its allies, and of blocking their access to military technology, will be formally swept aside this week.

In The Hague today, the 17 members of the Co-ordinating Committee on Multilateral Export Controls are expected to unveil their plans for a more flexible successor institution.

Former targets of the Cocom regime, notably Russia and China, are likely to be invited to join the new body, with its focus now turning to countries such as North Korea, Cuba, Iran, Iraq and Libya.

The dramatic emergence of Iraq as a global security threat with a potential nuclear capability, during and after the Gulf war, was as important in forcing change as the dismantling of the Berlin Wall.

As one UK-based academic noted, this brought into sharp focus the fact that Cocom and its sister bodies dealing with nuclear proliferation, chemical weapons, and missile technology had – in their obsessive concern with the Soviet block – allowed a number of militarily threatening third world countries to slip through the net.

They were shaken by the use of chemical weapons by Iraq in its war with Iran, and by the scale on which they threw ballistic missiles at each other: over 1,000 were fired during the Iran-Iraq war.

They were also shocked to learn – on the defection of an Iraqi engineer after the apparently successful Operation Desert Storm – of the extent of Iraq's nuclear weapons programme, and the capacity which remained intact at the end of the war.

Such discoveries have led to calls for new ways of identifying threatening activity, and of detecting potential mis-use of dual-technology goods.

In prospect is a lighter set of nationally-enforced arrangements which will lift regulation from a large number of products on the existing Cocom lists of restricted exports. They will reduce the paper work and delay in obtaining licences where they remain necessary. But they will improve information-sharing arrangements, alerting governments more quickly to the emergence of suspicious buying activity.

At the heart of the new regime against proliferation will be demands for comprehensive export control arrangements, and effective enforcement.

"In France, Germany, Japan, the UK and the US, revelations about illegal or indiscreet exports to threatening states brought public debate that led to a reconsideration and tightening of export controls," said Mr Gary Bertsch and Mr Richard Cupitt from the University of Georgia in a wide-ranging paper on non-proliferation in the Washington Quarterly.

They call for a "new typology" to deal with the more fluid post-Cold war alliances. This would distinguish between co-ordinating states, collaborating states, sensitive states, threatening states and peripheral states.

They note that while Russia is currently a collaborating state, "one can easily imagine developments that might move it into the category of sensitive or threatening states". New arrangements will need to cope with this "extreme flux".

One of the greatest challenges of the new regime will be to marshal proliferation through former Soviet republics such as Armenia, Azerbaijan, Georgia, Moldova, Tajikistan, Turkmenistan, Kazakhstan, Ukraine and Uzbekistan.

"Most of these states are racked by internal and external conflict, and are not in a position to put export controls in place even if they intend to," the Georgia academics note. Given the pressure on them to earn hard currency by exporting arms, and their "porous" borders with Russia,

> 'We will be controlling hardly anything any more'

preventing leakage of sensitive technologies through this region presents the new Cocom with formidable challenges.

"Export controls are only likely to delay the acquisition of critical dual-use technologies if a state is determined to acquire them," the academics note. "Unless the US and its co-ordinating allies address the demand for weapons of mass destruction and dual-use technologies, and pressures to supply those demands, non-proliferation policy will be incomplete."

Cocom officials are pressing for improved channels of information to identify at least four facts: the end use of any exported commodity; the location of the end user; possible sensitive applications; and possible re-exports.

"We will be looking for a matrix of suspicious information," one London-based official said. In place of Cocom, "a brutal thing that brutally succeeded", she predicted that "the new regime will be more gentle – an education process, pooling information and trying to discern patterns and trends to detect an emergent threat".

For those exporters who for decades have been frustrated by cumbersome and time-consuming Cocom licencing rules, such changes should be welcome. "We will be controlling hardly anything anymore," said the Cocom official, predicting that licences will in future be needed on just 5 per cent of those products currently on the Cocom list.

UK generating group to sign India power station deal

By Stephen Wagstyl in New Delhi

NATIONAL Power, the UK generating company, and Ashok Leyland, the Indian operating company of the London-based Hinduja trading company, are due today to sign a memorandum of understanding for a Rs30bn (£645m) power station project in India.

The agreement is expected to be a commercial highlight of a two-day visit to India by Mr Douglas Hurd, British foreign secretary, who has made the trip partly to promote Indo-British trade and investment.

The UK and India have put a high priority on strengthening commercial links since Mr John Major, British prime minister, visited Delhi earlier this year, and together with Mr P V Narasimha Rao, his Indian counterpart, launched the Indo-British Partnership Initiative, a forum for boosting business ties.

Mr Hurd yesterday met Mr Rao and other ministers and discussed subjects including economic ties and the troubled northern Indian state of Kashmir. He also exchanged documents for the ratification of an extradition treaty.

Today Mr Hurd is due to travel to Bombay, India's commercial capital, where he planned to address an audience of leading British and Indian businessmen aboard the Royal yacht Britannia, which has sailed to India to help promote a week of British-linked business events in Bombay.

The agreement between National Power and Ashok Leyland is for a 1,000 MW coal-fired power station at Visakhapatnam in the central Indian state of Andhra Pradesh. The project is one of 46 which private investors have put forward since the Indian government last year opened up the power sector to private capital in an effort to alleviate widespread electricity shortages.

However government officials and the promoters of various projects have yet to settle important issues such as the terms of agreements for financing, fuel purchases and electricity sales.

While National Power and Ashok Leyland have made more progress with their scheme than many others, the project has still to be finalised.

We don't just support THORP. We need it.

In June, we ran advertisements in the British national press to make clear our support for The Thermal Oxide Reprocessing Plant at Sellafield.

We also urged the UK Government to give THORP the go-ahead without further delay.

So far, there has been a great deal of misinformation, much of it calculated to imply that THORP's customers no longer support the project.

As ten of these customers, we wish to refute this unfounded assertion.

Japan has set out its basic policy of retrieving plutonium through the reprocessing of used nuclear fuel and using it again, both for the purpose of economical usage of uranium resources and for securing a stable energy supply.

This is a fact.

Our Minister of State, Mr. Eda, said as much when he spoke at the general meeting of the International Atomic Energy Agency (IAEA) in Vienna this September:

"Not only for the countries scarce in energy resources like Japan, but also for the global and long-term energy security, the nuclear fuel recycling to facilitate plutonium utilisation is an indispensable option."

Reprocessing is essential to this recycling process. What is more, it has two further advantages.

Firstly, it reduces the overall amount of high level waste. Simply storing spent nuclear fuel means that *everything* must be treated as high level waste – uranium, plutonium and waste products – because they are all jumbled together.

What THORP will do is to extract the uranium and plutonium which together represent fully 97% of the spent fuel. The remaining 3% (fission products) will come out of the process as waste which can be dealt with far more easily than the original spent fuel as it is.

Secondly, recycling the uranium and plutonium recovered by reprocessing is the most efficient way of using these resources.

Indeed, despite rumours to the contrary, Japan needs the reprocessed plutonium and uranium which THORP will provide.

All Japanese plutonium recovered will be utilised for research and development activities, including our fast breeder reactor, and as mixed oxide fuels in our conventional light water reactors.

Fears that our plutonium will be used for other than peaceful purposes are similarly unfounded.

Japanese law stipulates that nuclear power can only be put to peaceful uses.

All nuclear material, including plutonium, would be strictly controlled by the British Government, Euratom and IAEA in the United Kingdom, and by the Japanese Government and IAEA in Japan.

So, having established the need for reprocessing, the real question is, what is the best and safest way to achieve it?

The answer is unequivocally THORP.

We have the highest regard for the way the plant has been designed and built. BNFL has the highest possible standards of safety in both shipping and handling nuclear material.

We have backed this belief in strict, long-term contracts with British Nuclear Fuels: contracts we have no intention of breaking.

What is more, we have already sent them significant quantities of the fuel they will be reprocessing for us during the plant's first ten years of operation. It's sitting safely in deep ponds at THORP.

The fuel is there. The demand is there. The contracts are there. At best, it is mischievous to claim otherwise.

Far from losing our enthusiasm, we regret the delays which continue to be caused by pressure groups who are simply determined to end the use of nuclear power worldwide.

The fact is, THORP is ready. And so are we.

Once again, we urge the UK Government to give it the go-ahead as soon as possible.

THE TEN JAPANESE ELECTRIC POWER COMPANIES

K. TODA Chairman HOKKAIDO EPCO	T. AKEMA Chairman TOHOKU EPCO	S. NASU Chairman TOKYO EPCO	K. MATSUNAGA Chairman CHUBU EPCO	M. TANI Chairman HOKURIKU EPCO	S. KOBAYASHI Chairman KANSAI EPCO	K. MATSUTANI Chairman CHUGOKU EPCO	H. YAMAMOTO Chairman SHIKOKU EPCO	T. KAWAI Chairman KYUSHU EPCO	M. OKABE Chairman JAPCO

For details contact: Overseas Reprocessing Committee, 6F NTB. M. Building, 2-9 Shimbashi, 2-chome, Minato-Ku, Tokyo 105.

Mirroring the rise of Pacific nations

By Alexander Nicoll, Asia Editor

ASIA Pacific Economic Co-operation, the grouping holding its annual ministerial meeting in Seattle this week, was founded four years ago at the suggestion of Australia.

Its aim is to increase multilateral co-operation in view of the economic rise of Pacific nations and growing interdependence within the region. The US was keen to head off any moves to create Asian groupings from which it would be excluded.

This year, for the first time, leaders of most member states will attend an informal summit at the invitation of President Bill Clinton after the ministerial meeting is concluded.

Original Apec members were Australia, Canada, Japan, South Korea, New Zealand and the US, together with the six members of the Association of South-east Asian Nations: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Two years ago, China, Hong Kong and Taiwan were admitted simultaneously. Other countries, including Papua New Guinea and Mexico, are seeking to join.

Chairmanship of Apec is held for a year in rotation. After the Seattle meeting, the chair will pass to Indonesia.

This year, an Apec secretariat was set up in Singapore with an executive director whose nationality will also change annually.

Apec also has 10 working groups covering data in investment and trade, trade promotion, investment and industrial science and technology, human resources development, energy co-operation, marine resource conservation, telecommunications, transport, tourism, and fisheries.

Apec meeting shows importance to Washington of economic security issues, says Christopher

US reassures Japan and China on Asia policy

By Jurek Martin in Washington

THE US yesterday assured both Japan and China that they remain central to US policies in Asia in spite of current difficulties.

At a press conference prior to his departure for the Apec summit in Seattle, Mr Warren Christopher, the secretary of state, also asserted that the US "remained unyielding" in its determination to retain its current *security posture in the region.*

The Apec meeting itself, the secretary of state said, "represents an important but first step towards a more open liberal trading regime." *This, he added,* would take time to evolve but was another indication of the administration's elevation of economic security issues to the front rank of foreign policy priorities.

Mr Christopher reassured Japan that it remained "the cornerstone of our Asia-Pacific policy". While he described the current Japanese bilat*eral trade surplus as "unacceptable"*, he said the US goal was to place economic issues on the same sound and co-operative basis that characterised other aspects of the relationship.

Similarly, on China the US wanted "a comprehensive relationship that permits resolution of differences in a broad strategic context".

Nevertheless he also again warned China "of the need to make early progress on the human rights front" if the annual battle over the renewal of most favoured *nation trading status* was to be avoided.

● The US yesterday called on Pacific countries to co-operate in a programme of simplification and harmonisation of customs regulations in order to reduce obstacles to trade, Alexander Nicoll reports from Seattle.

Mr Ronald Noble, assistant treasury secretary for enforcement, told a customs-trade symposium that such measures would not undermine national sovereignty. They would recognise that Asia/Pacific countries, although they had differences, were "neighbours with more that unites us than divides us."

The symposium was being held by Asia Pacific Economic Co-operation, the 15-member grouping which holds its annual ministerial meeting in Seattle this week, to be followed on Friday and Saturday by an informal summit of Apec leaders.

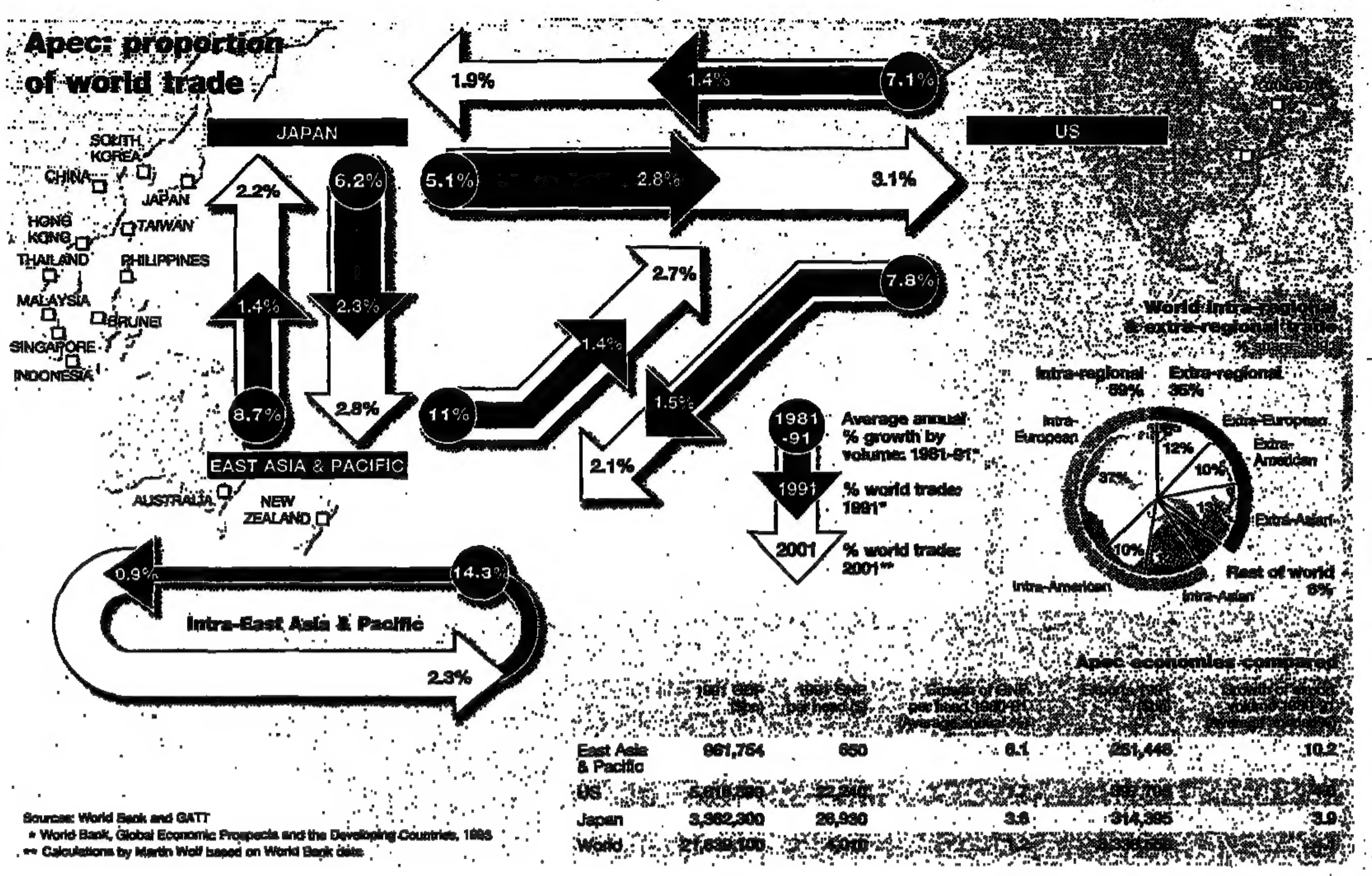
Mr Noble called for a four-part programme to:

● Repeal obsolete laws so that customs procedures conform with current business practices.

● Introduce uniform standards in areas such as safety and packaging in which national laws often created barriers designed *to protect domestic* markets. Such standards would ensure that legitimate health and safety concerns were still protected.

● Co-operate on systems procedures and data exchange.

● Work together to eliminate trade fraud in areas such as counterfeit trademarks and falsification of country of origin to evade Multi-Fibre Arrangement quotas.



Sources: World Bank and GATT
* World Bank, Global Economic Prospects and the Developing Countries, 1993
** Calculations by Martin Wolf based on World Bank data

Spectacular rise in regional trade

By Alexander Nicoll

THE gathering of Pacific leaders and ministers in Seattle this week underlines the growing economic importance of Asian countries for the rest of the world and for one another.

Not only has trade of Asian countries with other regions of the world been growing much faster than elsewhere, the acceleration of trade by Asian countries with one another is spectacular – albeit from a low base.

Meanwhile, investment has poured into the region – with the most recent surge into China. Again, investment by Asian countries in their neighbours has been increasingly important, first with more advanced countries such as Japan, South Korea and Taiwan shifting their manufacturing capacity to South East Asia, and now with all regional countries - and especially their ethnic Chinese communities - investing in China.

According to World Bank figures, the growth of exports from the US and the European Community to East Asia/Pacific countries averaged 11 per cent and 10.1 per cent respectively in the years between 1981 and 1991. These rates were well above the 5.5 per cent average annual growth in overall US exports and 5.2 per cent growth in exports of EC countries.

In return East Asian/Pacific countries increased their exports to the US by 7.8 per cent and to the EC by 9.4 per cent annually. The growth of trade between East Asia/Pacific countries was much higher at an average 14.3 per cent.

The growth of East Asian economies has pushed up income per head to an average $650 (£430) compared with $330 in South Asia, although this figure masks wide gaps, with some countries overtaking industrialised nations in *GNP per capita* while others are still very poor.

Economists at international financing institutions say that despite Asia's economic growth, poverty still remains the region's number one problem. It will take many more years of rapid growth, and consistent policies to erase it.

Beijing responds to Clinton's change of approach

Seattle meeting reflects China's delight that the US is to stop preaching and start talking, reports **Alexander Nicoll**

THAT *Mr Bill Clinton and Mr* Jiang Zemin should meet this week on friendly terms is a remarkable turn of events which could help to end a turbulent period in Sino-American relations.

Deep divisions will certainly remain between the US and Chinese presidents on issues such as human rights and trade. But Beijing's welcome for Mr Clinton's abrupt decision this autumn to stop preaching to China and start talking instead has set the stage for a possible less*ening of friction* in some important areas.

The two men are due to meet in Seattle at the end of the week during the informal meeting of Pacific *leaders which follows the annual* ministerial gathering of the 15-member Asia Pacific Economic Co-operation group.

The rapid growth of China's economy, *trade and* investment is a central element of the development of the influence of the Asia/Pacific region. It is raising China's status as a world power and attracting massive interest from US companies, which could suffer heavily from a sharp deterioration of relations. Such a worsening seemed well under way as little as three months ago.

Relations have been tense since Washington imposed sanctions on Beijing after the June 1989 massacre of demonstrators in Tiananmen Square by Chinese troops.

President George Bush pursued a minimalist approach to China policy which both irked Beijing and failed to satisfy either the US critics of Chinese human rights policy or those who favoured closer engagement.

As part of his failed bid for reelection, he allowed the sale of military aircraft to Taiwan in order to *preserve American jobs.*

Mr Clinton, who had pledged to stop "coddling" Beijing, faced conflicting demands. On the one hand, the human rights lobby expected *him to fulfil his* campaign promise by revoking China's Most Favoured Nation trading status. On the other, a large number of American experts on China in academia, the military and business saw it as vital to US interests to develop a broader and more constructive relationship with Beijing.

Mr Clinton proceeded to make a series of moves which angered Beijing.

He placed conditions on MFN renewal in 1994 including "overall, significant progress by China" in human rights. In particular, he wants to see progress towards implementation of a joint memorandum aimed at preventing exports of goods manufactured in Chinese prisons, and passports being made available to all Chinese citizens who are entitled to them. China rejects any linking of trade and human rights.

Washington also imposed sanc*tioned on Beijing over alleged sales* of missiles to Pakistan, and then shadowed a Chinese ship which it suspected of carrying poison gas ingredients to the US. An inspection *found no trace and China demanded* an apology.

Other factors in the deterioration included US opposition to Beijing's unsuccessful bid to host the 2000 Olympics, and China's arrest of dissidents and journalists, its failure to *re-admit a dissident,* and its explosion of a nuclear device in defiance of US requests not to carry out further testing.

Then came Mr Clinton's about-face, which followed a review of policy led by his national security adviser, Mr Anthony Lake. Since October, US officials have been talking of the need for "engagement" with China. A cabinet member as well as senior human rights, trade and defence officials have visited Beijing and more such trips are planned.

US officials say the aim is not to reduce US pressure over human rights, nuclear *proliferation and trade but to make* them part of a broader relationship in which efforts are made to build trust and understanding.

Mr Mike Espy, the agriculture secretary, *said in* Beijing: "You can't preach and criticise standing 7,000 miles away. You have to engage on a more personal level. I assured all the officials with whom we met that the visits to China by the Clinton administration at very *high levels would increase."*

China has responded positively to the US initiative. Mr Jiang accepted Mr Clinton's invitation to Seattle, and China has termed the bilateral meeting a summit. Mr Li Peng, the premier, said that "a meeting between top leaders of the two countries itself is a good thing and is of great significance."

The latest sign of détente came last week when Mr Qian Qichen, foreign minister, said China was prepared to discuss allowing the International Committee of the Red Cross to visit Chinese prisons.

The US State Department responded: "Access to Chinese prisons by the ICRC would certainly be *an important factor in determining* whether or not there has been overall significant progress in human rights." Meanwhile, the US is considering whether to cancel the sanctions imposed over sales to Pakistan.

US officials caution that Mr Clinton still faces pressures which could force him to revoke MFN, despite the consequences for US trade and investment, if his conditions are not met. *Small* gains made recently in talks with Beijing on individual issues, particularly over trade, coupled with the overall visible improvement in social conditions in China, have to be set against strong feelings in Washington about human rights.

A US official says: "Lots of congressmen do believe that this [MFN] is not the right instrument to use. But Clinton is a domestic president and he would not put his domestic programmes at risk for *foreign policy considerations* when the result would be to lose the support of significant numbers of members of Congress."

However, both US and Chinese *officials believe sufficient ground*work has been done, albeit in a short time, for this week's meeting to mark a new phase of a long-standing love-hate relationship. *Mr Wu Jianmin, Foreign Min*istry spokesman in Beijing, says: "We believe that to address the differences between China and the US it is necessary to increase contacts. The difficulties should not hamper co-operation."

WWF seeks top role for environment

By Frances Williams in Geneva

THE WWF-World Wide Fund for Nature yesterday called on the Apec summit to ensure any new trade arrangements reflect environmental considerations from the start.

Addressing environmental degradation as an afterthought was short-sighted, as had been amply demonstrated by the North American Free Trade Agreement and the Uruguay Round of Gatt trade talks, the Swiss-based environmental organisation said.

Nafta negotiators were obliged to negotiate sub-optimal side agree*ments later and these "remain a* source of dispute". Uruguay Round negotiators "have frequently claimed the initial omission of environmental issues cannot be rectified later", according to *Mr Charles* Arden-Clarke, WWF policy analyst.

The WWF is urging Apec to seek ways of making trade and environment policies mutually supportive, as agreed at the UN "Earth Summit" in Brazil last year.

Resist Washington pressure for managed trade, Tokyo urged

Brittan warns Japan, US

By Michiyo Nakamoto in Tokyo

GATT

SIR Leon Brittan, European Commission vice president, warned yesterday that any agreement between Japan and the US that sought to increase market share of foreign companies was likely to be at the expense of the EC and called on the Japanese government to resist US pressure for such managed trade.

"We would be very concerned about any agreement that would guarantee increases *in market share because*... that could only be at the expense of the Community," Sir Leon said.

The US has been pressing Japan to accept market access targets for US and other foreign companies in specific markets in Japan. US proposals on increasing market share in vehicle parts, in particular, call on Japan to set specific targets for non-Japanese US parts makers.

Even where such targets may in principle be aimed at increasing market share for all foreign companies, given the relationship between US and Japanese industry, such agreements "will arouse suspicion that it is intended to benefit the US", Sir Leon said.

Sir Leon also renewed pressure on Japan to help bring the Uruguay Round trade negotiations to a successful conclu*sion by accepting tarification* of its rice market and implementing in full a market access package agreed this summer by the EC, Canada, Japan and the US.

In meetings with top Japanese officials, including Prime Minister Morihiro Hosokawa in Tokyo, Sir Leon said it would be difficult for Japan to seek exemption from tarification of its rice market.

Recently, however, speculation has been growing in Japan that the government is preparing a compromise deal on opening up the rice market that would call for a six-year moratorium after which Japan's rice market would be gradually subjected to tarification.

Sir Leon himself was confident a compromise could be found on opening up Japan's rice market which would sat*isfy the need for tarification* while taking into consideration special Japanese sensitivities regarding rice. Although no such proposal was actually put to him by the Japanese authorities, "I do not believe that... is impossible to resolve," he said.

With regard to progress on the Uruguay Round, Japan still needed to implement cuts in peak tariffs on goods including leather, textiles and processed foods which were agreed in Tokyo in July by the US, the EC, Canada and Japan, in a market access deal aimed at pushing the stalled trade talks forward.

Nevertheless, Sir Leon was "satisfied that Japan does have a genuine sense of urgency" and recognised the need to make a big effort in bringing the Uruguay Round to a successful conclusion, he said.

Sir Leon also called on Japan to play a role in a regular dialogue between the EC and members of Apec, which Europe is very keen to have.

'Chaos' if Uruguay Round fails

By Tony Jackson in Harrogate

THE failure of the Uruguay Round next month would mean "lurking chaos", Mr Peter Sutherland, director-general of the General Agreement on Trade and Tariffs, said yesterday.

In a speech to the British CBI conference in Harrogate, Mr Sutherland warned of a return of the economic conditions which provoked the 1930s depression and the second world war.

The deadline of December 15 was final, Mr Sutherland said. "When I say the end I mean the end. No further chances are going to be offered negotiators and world leaders this time. The political and legal chemistry allows for no further adjournment."

Failure in December *would not mean* the status quo being maintained in trade policies or growth, he said. "We will be on a very slippery slope indeed, and there will be no multilateral system of sufficient weight and credibility *to stop* the world sliding into a mire of protectionism and lost economic opportunity.

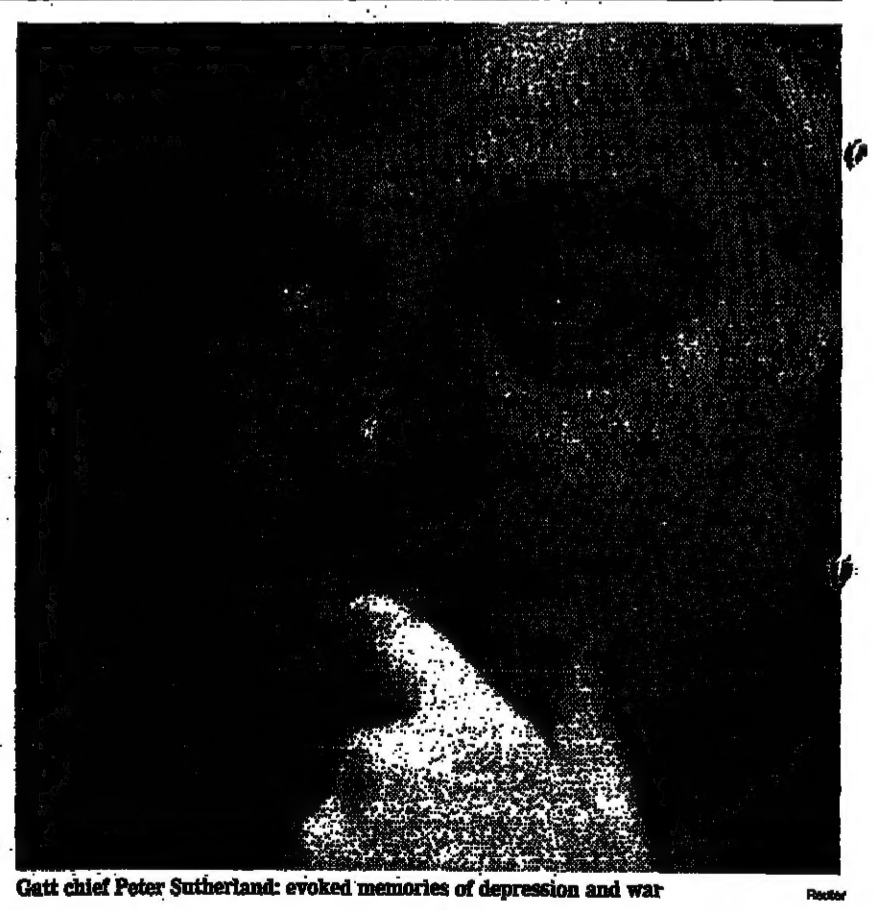
"I fear that it would provoke the kind of tensions which led us in the late 1920s from economic nationalism through high tariffs and competitive devaluations in the Great Depression of the 1930s. Some say these tensions led us ultimately into the second world war."

Mr Sutherland appealed to the US and European Union to give a lead. "They have been lecturing the world since the last war," he said. "It is perhaps an irony that *they are the ones we have to call* upon to deliver the [Uruguay] Round today. The developing world now seems convinced of the need for an open trading system.

"The EU and US have to recognise that purely domestically enforced anti-dumping rules without any oversight or objective control is a slippery slope to unilateralism and the law of the jungle. If that's what we want for international trade, we will pay a heavy price."

Tomorrow's US Congress vote on the North American Free Trade Agreement was important for Gatt, he said. "Beyond the immediate economic consequences for the three countries involved, the potential knock-on effects of a loss of Nafta would not be good *for the Uruguay Round. If the* protectionists taste blood on Nafta on one side of the Atlantic, is there not a risk that it would incite those on the other, and even further afield?"

He rejected calls *for* a compromise by which the most contentious areas such as agriculture could be left on one side.



Gatt chief Peter Sutherland: evoked memories of depression and war

Reuter

Paris woos farmers with more aid

By David Buchan in Paris

THE French government yesterday moved to soothe its farmers' anxiety about the impact of a possible Gatt trade deal by granting them an extra FFr1.5bn (£170m) in aid next year.

The extra aid, which will take the form of lower welfare charges and increased pensions for farmers, comes on top of the government's plan to increase its 1994 agriculture budget by FFr3bn to FFr47bn.

Government and farm union officials denied it was a pay-off for French farmers *agreeing to* scale down their demands for revision of the controversial Blair House farm trade accord with the US. They stressed that the aid was designed to help French farmers adapt to the European Union's earlier reform of its common agricultural policy.

But the farmers' unions have been *remarkably docile* since September when France's European Union partners partially endorsed Paris' demands for change in the Blair House accord.

This has left observers puzzled as to whether the farmers really believe the government will stand in the last ditch with them over Gatt, or *whether they have come to* regard concession by France as inevitable.

Expansion of 1.1% this year, 3% predicted next year

Mexico cuts 1993 growth forecast

By Damian Fraser in Mexico City

MEXICO'S government has cut its estimate for economic growth this year to just 1.1 per cent, while forecasting 3 per cent expansion next year, according to figures released in the annual budget.

The budget sets out a conservative macro-economic policy for the year ahead, geared towards achieving the modest pick-up in growth and a 5 per cent inflation rate. The budget expects inflation this year to end up at 7.7 per cent .

The government plans to run a balanced budget in 1994, from an expected surplus of 1 per cent of GDP this year, and says monetary and exchange rate policy will continue to be directed towards price stabilisation. Net debt as a proportion of GDP is expected to fall below the current level of 21 per cent.

The forecast for this year's growth is lower than most private sector estimates, and suggests the government expects the sharp slowdown in the second quarter to have continued throughout the year.

The government blames the weak growth on industrial restructuring that Mexico's private sector is going through in order to compete in world markets.

The government said that with or without the North American Free Trade Agreement, Mexico's opening to trade would be maintained and consolidated. It claimed that the impact of the agreement would only be felt in the long term, although most economists expected approval of the treaty to increase short-term growth.

This year's low economic growth helped contain the current account deficit, which is expected to reach 5.4 per cent of GDP this year, or about \$19.5bn. Next year, the current account deficit is forecast to fall to 5 per cent of GDP, in absolute terms a little more than this year.

Mexico's development banks have been given permission to issue \$5bn of net debt next year. Overall, the government said it would seek to diversify sources of foreign debt next year, and improve terms of credit.

Argentina's president eyes a second term

Mr Menem's hope of changing the constitution has come a step closer, says John Barham

A DEAL with an old rival has improved President Carlos Menem's chances of standing for re-election when his term ends in July 1995.

Mr Menem signed an agreement at a Sunday evening summit with his predecessor Mr Rául Alfonsín, now leader of the opposition Radical party. In return for Mr Alfonsín's promise of Radical support for a lifting of the ban on successive presidential terms, Mr Menem will abandon a plebiscite scheduled for next Sunday on constitutional reform.

Opinion polls say the government would have taken 65-68 per cent of votes, leaving the Radicals with another crushing defeat, their fifth since 1987.

Despite the disastrous end to his 1983-89 term as president, when hyperinflation forced him from office five months early, Mr Alfonsín remains the only Radical leader of national stature. He clearly hopes to be the candidate to challenge Mr Menem in 1995.

The Peronists dominate the Senate, which has already voted two-thirds in favour of changing the constitution. But the Peronists lack a majority in the lower chamber of deputies, making an agreement with the Radicals essential.

The salient points of the accord are:

- Changing the constitution to allow re-election of the president for a second term. The six-year term to be cut to four years.
- Creation of a "co-ordinating minister" – or prime minister – as link between government and congress. The minister could be removed if Congress passes a no-confidence motion. Mr Menem yesterday said he would offer a Radical this job.
- Greater independence of the judiciary. Selection of judges to be by independent panel, not by government. Opposition politicians would head semi-autonomous bodies like the audit office, whose independence would be entrenched in the constitution.
- Curbing the president's right to issue decrees with force of law.

Alfonsin: national stature

Menem: to drop plebiscite

Reform of the constitution along these lines is far from a *fait accompli*.

Mr Alfonsin must still deliver the Radical vote he promised Mr Menem. Assuming this happens, elections must be held for the constituent assembly that would write the new constitutional text. Some observers worry the assembly could declare itself sovereign and exceed the terms of the Menem-Alfonsin accord.

Mr Menem's unquestioned control of the Peronist machine ensures he would be its candidate in 1995 and his current high standing in the polls would make him almost assured of a second term. Furthermore, his deal with Mr Alfonsin may further divide the already fractured and demoralised Radicals.

Radicals say the agreement could actually strengthen their chances of victory in 1995. Some believe the government's market-oriented economic policies will unravel soon, making Mr Menem an easier opponent than other Peronists, notably Mr Eduardo Duhalde, governor of Buenos Aires province.

Younger Radicals hope another electoral defeat would sweep Mr Alfonsin's old guard from the scene, allowing a younger generation to win the 1999 elections.

The business community is divided. Some say Argentina's political immaturity requires Mr Menem to stay in office until 1999 to maintain economic reform.

Others want a smooth handover to a new administration that would maintain his economic policies.

Puerto Rico seeks to strengthen its US links

By Canute James in San Juan, Puerto Rico

MR Miguel Hernandez Agosto, leader of Puerto Rico's opposition Popular Democratic party, is to ask the US Congress to expand the island's "commonwealth" link with the US, by increasing tax incentives for industry, removing limits on food stamps and imposing tariffs to protect agriculture.

This follows Sunday's referendum in which Puerto Ricans indicated by a slim margin that they favoured an enhancement of their current quasi-colonial ties with the US, rather than becoming the 51st state of the union. Political independence was soundly rejected.

Figures published yesterday by the State Elections Commission indicated that the commonwealth option received 48.4 per cent of the 1.7m votes cast, statehood was supported by 46.2 per cent and independence by 4.4 per cent.

The result was a setback for Mr Pedro Rossello, the island's governor, whose incumbent New Progressive party advocated statehood.

"The people have spoken on status and I heed the result," Mr Rossello said. "It was my commitment to hold this plebiscite, and I assume full responsibility for its results." The governor said he would pursue his government's programmes based on the mandate he received in last year's election.

Mr Agosto said he would begin negotiations soon with congressional leaders in Washington to extend and make permanent tax incentives which have brought mainland manufacturing companies to the island, but which are subject to frequent review and changes in Washington.

The PDP leaders will also seek a statement from President Bill Clinton defining the "uniqueness" of Puerto Rico's current status. Saying Puerto Rico was a territory of the US, President George Bush rescinded an executive order by President John F Kennedy which allowed special treatment for Puerto Rico.

Puerto Rico is officially described as having a "freely associated" relationship with the US. Puerto Ricans are US citizens, but cannot vote for a president and do not pay federal income tax. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation.

Mr Rossello claimed that the advocates of statehood had scored a victory in the referendum, because they had "brought the ideal nearer, closer to becoming reality". He said that in the 1952 referendum statehood was supported by 12 per cent of Puerto Ricans, rising to 39 per cent in the 1967 vote, and had almost tied with votes for the commonwealth on Sunday.

Computer rubs out pencil in US exams

By Lisa Branston in Washington

THE trusty "number two" pencil, the one common bond among applicants for US higher education, took a step towards oblivion yesterday when the nation's largest exams administrator said applicants for advanced degrees could take their admission exams on computer.

Nearly 400,000 students a year take the Graduate Record Exam, which is required for admission to most university graduate schools in the US, except for business, medical and law courses.

Plans are also under way to computerise the Standardised Admissions Test required for undergraduate admission for first degrees, but this is not expected to be available on computer before the turn of the century. The delay is because of the logistical problems involved in administering the test to around 1.3m students who take it every year.

By 1997, when the GRE will be available only by computer, aspiring graduate students will also be able to forgo the experience of sitting in a huge room of stressed fellow students.

Instead, students will schedule appointments and take the exam in small groups, according to Ms Charlotte Kuh of Educational Testing Service, the private company that develops and administers both the GRE and the SAT.

The computer tests are adaptive, meaning that questions get increasingly difficult as students answer them correctly. This will allow better students to earn higher scores and move through the test quickly, skipping over easy questions.

The adaptive tests will allow students to write a short essay or complete a more difficult maths section in addition to the existing sections – verbal, quantitative and analytical reasoning.

Ms Kuh said she hoped the new test would eliminate some of the advantages of students able to pay for expensive preparation courses, but companies providing such courses are rushing to develop new strategies.

As many as 26,000 students pay \$695 each to take test preparation courses at either Kaplan Educational Centers or the Princeton Review.

Mr Robert Cohen of the Princeton Review, with \$40m in sales annually, said it was ridiculous to think a new test could make his services obsolete. He said his company already had a programme geared for the computer test.

Strike starts in Bolivia

BOLIVIA'S trade unions began an indefinite national strike yesterday to protest against plans to eliminate thousands of government jobs, Reuter reports from La Paz.

The Roman Catholic Church, acting as a mediator between the government and unions, said after last-minute talks on Sunday night there was still a chance of resolving the conflict. But the government told the unions to call off the protest, saying it would not negotiate while the strike was on.

The strike is the worst conflict between workers and the government since the centrist government of President Gonzalo Sanchez de Lozada took over in August.

Union officials said miners, railway and health workers and teachers had joined the strike, which began at midnight on Sunday. But transport in La Paz, as well as shops, banks and private industries, were all working. Four earlier protest strikes called by the union confederation, COB, failed to paralyse the country.

Mr Sanchez de Lozada, a wealthy businessman who criticised the former centre-right government of President Jaime Paz Zamora for economic drift and corruption, has announced plans to fire 10,000 of the country's 230,000 state employees.

Another 70,000 state workers are due to be gradually removed from the payroll over the next few years.

Union leaders were due to meet late yesterday to decide whether to continue the strike.

Differences emerge with EU over growth

By Paul Cheeseright

SHARP differences of approach to pulling the European Union economies out of recession and putting in place policy for ensuring future growth are emerging between British business and the European Commission.

Sir Michael Angus, president of the Confederation of British Industry, told its annual conference in Harrogate that "To make European business more competitive we need to make labour more flexible, reduce over-regulation – especially from Brussels – and scale down the burden of so-called social costs which industry has to bear."

The differences will crystallise soon when the Commission presents the main points of its long awaited paper on growth, competitiveness and employment to EU economy and finance ministers. The Commission thinks that the British approach lays too much emphasis on cutting costs.

"Europe's long term strategy cannot be one of competing solely on costs. An effective long term policy to generate growth and employment must be geared also to increasing productivity" said Mr David Williamson, secretary general of the Commission, speaking for Mr Jacques Delors, the president.

The differences presage further political difficulties for the UK in its talks with EU members because the government and the CBI have a close identity of view.

Speakers chastised the Commission for what they saw as over-regulation and for failing to ensure that regulation is not uniformly applied country by country.

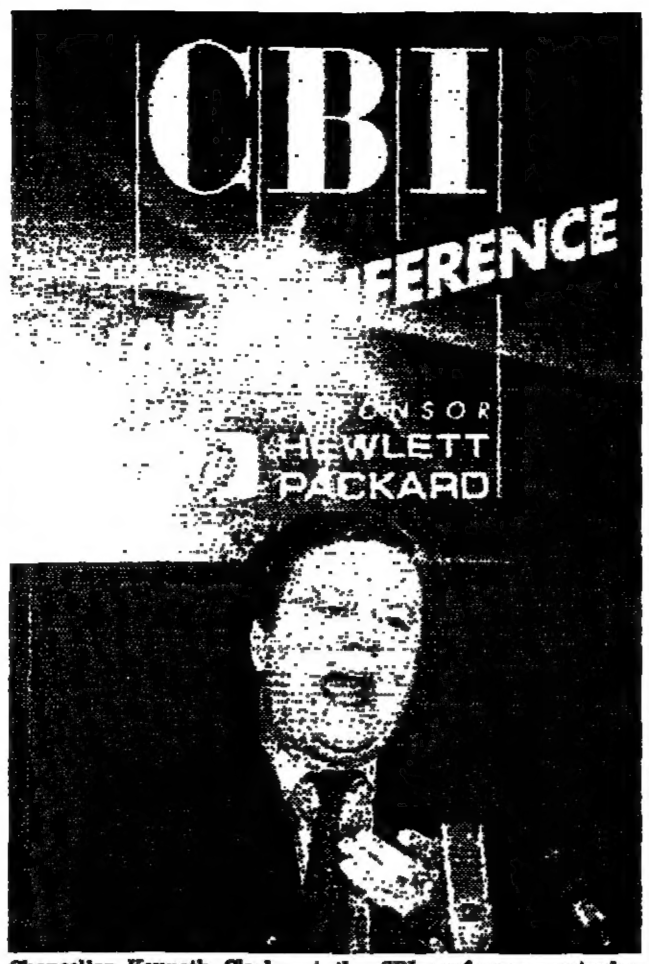
In a obvious reference to UK government uneasiness about future European economic integration, Mr Williamson warned the CBI that "future increases in prosperity will not be generated by focussing only on cyclical or immediate concerns or by adopting increasingly inward policies."

BRITISH Telecommunications yesterday stepped up its campaign against what it called the "grotesque" proposed link-up between the world's three largest telecommunications operators, Roland Rudd writes.

Mr Iain Vallance, BT chairman, made his most outspoken attack yet on Project Atlantic, the putative alliance between France Telecom, Deutsche Telekom and American Telephone and Telegraph. "I trust that the European Commission will have no truck with this grotesque proposal," he told the empoloyers' conference.

BT later said it had had a series of meetings with senior officials at the commission's competition directorate, to protest against the proposal to create what it described as "the biggest telecommunications monopoly in the world".

Mr Vallance plans to meet Mr Jacques Delors to press BT's case.



Chancellor Kenneth Clarke at the CBI conference yesterday

Lloyd's Names win £1.77m compensation

By Richard Lapper

NEARLY 500 Lloyd's Names yesterday won £1.77m in compensation for their insurance losses after agreeing to accept an out of court settlement offered by the Aragorn Agencies and its errors and omissions insurers.

Under the offer Aragorn and its insurers, which cover legal awards for negligence, acknowledged that the Names should not have been responsible for 83 per cent of the losses incurred on one particular contract underwritten by Aragorn syndicate 384.

"This is a significant success," said Sir Michael Bunbury, chairman of the Aragorn Action group, which represents 494 of the 633 Names – individuals whose assets support the market – on syndicate 384 in the 1985 year of account.

The Names have lost £13.8m on business underwritten in the 1985 year but took legal action over a specific contract, offering reinsurance to Warrilow syndicate 553, underwritten in 1984 by Mr Graham Potter, the 384 underwriter.

The case had been due to come to court next month.

Separately, during the opening day proceedings of a court action against four Names, Lloyd's denied it owed a contractual duty to Names to act in good faith.

The Names are resisting writs issued by Lloyd's to draw down their deposits in order to meet insurance losses.

Mr Michael Freeman, the solicitor representing the four Names, described the admission as "both surprising and startling". He said it contradicted statements by Lloyd's in other legal actions against Names.

A spokesman for Lloyd's said last night that Lloyd's was "attempting to find out what duties to Names are to be contractually implied."

Schools set to raise funds by mortgages

By John Authers

SCHOOLS in England and Wales are to be allowed to mortgage their buildings to raise funds under plans currently being prepared by the Department for Education.

According to Whitehall officials, Mr John Patten, the education secretary, and Mr Stephen Dorrell, financial secretary to the Treasury, are in negotiations to allow the extra finance.

At first, only schools which have opted out of local education authority control will be able to use the facility. Buildings of maintained schools are still officially owned by local authorities. More than 1,000 schools have opted out so far.

However the government is understood to want to extend the move to local authority-maintained schools, and is considering proposals to remove grant-maintained schools funding from the public sector borrowing requirement.

Plans have not been finalised, but announcement could be made within weeks. The new loan facilities might be possible for the next financial year, although it is more likely that implementation would have to wait until 1995-96.

The move joins other measures in the government's "private finance initiative" to allow investment in the public sector by private companies. The education department is worried that with the public sector borrowing requirement approaching £50bn a measure along these lines will be necessary to allow any new capital investment in schools.

Many school buildings are in severe disrepair, a fact highlighted in a report published yesterday by the National Commission on Education, and private funds are seen as necessary to stimulate extra investment.

Similar measures to relax controls over using publicly funded assets as securities for loans have already been introduced to aid investment in universities and other higher education colleges, and they now receive more than £1bn each year from private sources, according to Mr Patten.

Borrowing controls over further education colleges, which were removed from local authority control in April this year and are now funded directly by a government funding council, could also be relaxed.

Banks reacted cautiously to the news. A spokesman for Barclays said that the bank already had numerous business customers among grant-maintained schools, and was interested in extending within the sector. It already lends widely to universities and colleges.

However, the value of a school building could be lowered if it could only be used for educational purposes, and government guarantees would be a crucial issue. According to Barclays: "If the government offered guarantees then that would make it very attractive."

Plea for organic farming sector

By Alison Maitland

ORGANIC farmers could become "an endangered species" unless they are given more financial support from the government, Mrs Gillian Shephard, UK agriculture minister, was warned yesterday.

Representatives of the Soil Association, which registers organic producers, met Mrs Shephard to complain about the proposed organic aid scheme which will pay £1.5m a year to farmers who convert to organic methods but will do nothing to help existing organic farmers.

Some organic farmers were reverting to conventional practices or putting land into set-aside because this brought greater rewards, they said.

"The growing UK market for organic food will be supplied by subsidised organic farmers in Holland, Germany and Denmark," warned the association.

Demand for organic produce is increasing although the recession has held back the pace of growth. A survey by Mintel, consumer research analysts, said sales of organic foods in the UK had increased nearly fivefold since 1988 to an estimated £105.1m this year.

Under government plans announced in August, English producers converting to organic methods will initially receive £70 a hectare, falling to £25 a hectare in the last year of the five-year scheme. That compares with proposed payments in Germany of about £158 a hectare for existing producers and £200 for new entrants, says the Soil Association.

Germany has about 10,250 registered organic farmers compared with just 800 in the UK.

The ministry said after the meeting that it would keep under review the idea of help for existing farmers.

The association said the number of inquiries and applications from potential organic farmers was falling, as was the area in organic production in the UK, currently about 70-80,000 acres.

'Hard work' needed to meet government health targets

By Alan Pike, Social Affairs Correspondent

MORE HARD work will be needed to meet some of the government's targets for Britons' collective health, Mrs Virginia Bottomley, the UK health secretary, said yesterday.

The Health of the Nation strategy is intended to produce measureable improvements in the areas of coronary heart disease and strokes, cancer, mental illness, sexual health and accidents.

Reviewing the first year of the strategy, Mrs Bottomley said that 16 of 19 targets where new figures were available were moving in the right direction. But this was not the case with obesity, suicide and smoking among young people.

More people were obese than previously thought – 13 per cent of men and 15 per cent of women compared with 7 per cent and 12 per cent in 1986-87. Suicide figures showed a slight increase, while there had been only marginal changes in smoking among 11-to-15-year-olds between 1990 and last year.

In addition to the three problem areas identified by Mrs Bottomley, a government report yesterday shows faster progress will be needed elsewhere to meet the targets.

In the past year there was a 4.8 per cent reduction in the number of people under 65 dying from coronary heart disease, but the document says "the current rate of progress will have to improve" to meet the targets.

Meeting the target for reducing tobacco consumption would require a "substantially faster rate of decline." The report brought fresh calls from Dr Sandy Macara, chairman of the British Medical Association Council for a ban on cigarette advertising.

"It is high time the government banned the indefensible tobacco sponsorship of sport and other tobacco advertising and put a large increase on the price of tobacco in the budget," he said.

● Plans to replace many middle managers in Welsh health authorities with small management teams in hospitals were announced by Mr John Redwood, Welsh Secretary, yesterday.

Mr Redwood has said he aims to simplify the NHS management structure in Wales, and concentrate resources on patient care.

First Singapore company comes to UK

By James Buxton, Scottish Correspondent

THE FIRST Singapore-based company to set up a manufacturing plant in Britain has chosen to locate in Scotland.

PCI, which claims to be one of the largest contract electronics manufacturers in the world, is to set up its European manufacturing and research and development headquarters at East Kilbride near Glasgow. It will initially employ about 100 people and hopes eventually to employ 300.

PCI designs and manufactures telecommunications equipment, handheld terminals, office automation equipment and automotive electronic equipment. It already employs about 3,000 people in Singapore, the Philippines and Indonesia. Its customers include AT&T, Motorola, Nokia and Rank Xerox.

Mr Jium Jeng Parng, chief executive, said PCI intended to use its new plant in East Kilbride to attract new customers and demonstrate its abilities in design and manufacturing. He said he was attracted to Scotland because of its large number of good electronics engineers, as well as its large base of electronics sub-contractors. PCI has annual turnover of about $100m and claims to be among the top 20 contract electronics manufacturers in the world, the biggest being SCI of the US. Mr Parng said: "Customers can give us a circuit diagram and tell us what they have in mind. We will design the product, make a prototype, do the tooling for production, and manufacture the product in volume."

The company makes printed circuit board-based and liquid crystal displays-based semi-finished and finished products. Finished products include cordless telephones, sonar equipment telephone called identification equipment, point of sale terminals and electronic executive organisers.

Mr Parng said that after establishing its European headquarters in East Kilbride it was likely to set up a large manufacturing facility in a low cost European country such as Hungary, the Czech republic or Portugal.

"The UK is OK cost-wise if you're employing hundreds of people, but if you're employing thousands you need to go somewhere cheaper," he said.

Eurotunnel chief to lead finance raising body

By Tony Jackson

SIR Alistair Morton, chairman of Eurotunnel, is to chair the government's private-finance working group, established to create a closer partnership between the public and private sectors.

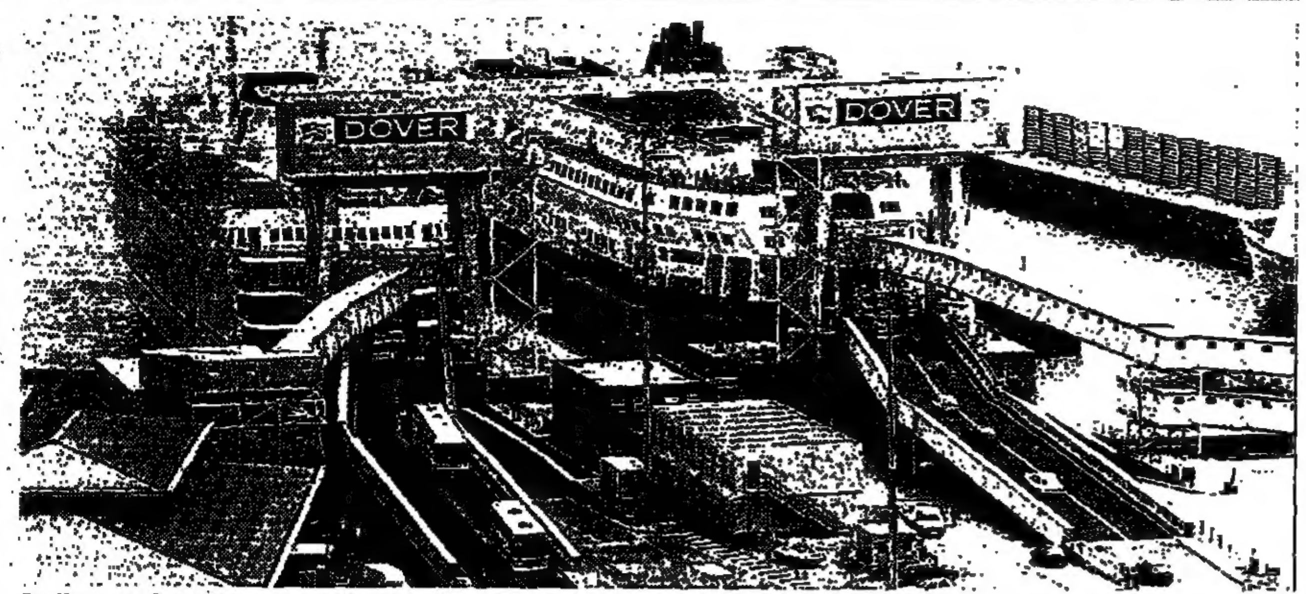
Announcing the initiative yesterday Mr Kenneth Clarke, the chancellor of the exchequer, said the government was determined to break new ground in developing public-sector projects with private finance. "Just as privatisation broke new ground, so will private finance. This working group will turn the project into reality."

Whitehall officials acknowledge that there is resistance to the project from both the public and private sectors. They argue, however, that just as there were big gains for those who took part in privatisation, so will there be big rewards for companies that take part in the private-finance initiative.

Mr Clarke hoped the working group would be able to speed up public-sector projects with private finance.

Sir Alistair said that since the "public purse" was only a fraction of what it had been, it was his aim to look at new ways of financing public-sector projects.

He planned to identify areas where it might be possible to make immediate progress as well as encourage potential private sector participants.



On the waterfront: ferry companies are cutting fares and costs to help them face competition when Eurotunnel opens next year

Stena cuts fares on channel ferries

By Charles Batchelor, Transport Correspondent, and Stewart Dalby

STENA Sealink yesterday announced a 20 per cent fare cut for some travellers on its Dover-to-Calais sailings in the latest move by ferry operators to meet the threat of the Channel tunnel.

Stena, the second largest carrier of passengers on the route, is to introduce a cheap APEX fare for travellers who book 28 days in advance and who return within five days. This will reduce the cheapest fare from £88 to £70 and the most expensive from £200 to £160.

The ferry companies which operate on the short cross-Channel routes have thrown everything into their attempt to hold on to passengers when the tunnel opens next May. Apart from fare cuts they have brought in more frequent sailings, shorter check-in times, and new "super" ferries.

Despite these efforts the ferries can expect to lose half of their passenger business and perhaps a quarter of freight to the tunnel, according to some estimates.

And for all the frenzied activity on the part of the ferry companies, Eurotunnel is still keeping them guessing. It has promised that the level of fares will be similar to those charged by the ferries but said yesterday that it does not expect to announce the detailed numbers until tickets go on sale on January 12.

Eurotunnel also confirmed that car drivers using its shuttle service between Folkestone and Calais will be charged a standard fare regardless of how many passengers are on board. Prices will vary according to season rather than time of day.

Eurotunnel is forcing the ferry companies to squeeze every possible marketing advantage out of their fare structures. While it plugs the advantage of not having to book in advance Stena Sealink yesterday said its APEX fares were "for people who want the comfort of a reservation."

Stena, which has 36 per cent of the Dover-Calais passenger traffic , calculates that it has spent £200m on new ships, and on port improvements over the past 2½ years. A restructuring of Stena's operations, prompted in part by the threat posed by the tunnel, led to 2,000 job cuts and a sharp reduction in operating costs.

P&O says it has spent £400m over the past five years improving the quality of its short-sea routes. Last spring it launched a shuttle service offering 25 crossings a day and a sailing every 45 minutes at peak periods while in September it reduced fares on its five-day return sailings by up to 25 per cent.

By the time the tunnel opens, the ferry operators, including Hoverspeed, will be offering up to 70 return sailings a day between Dover and Calais. Even allowing for the expected expansion of cross-Channel traffic it is unlikely that they will be able to keep this up for long. The real shake-out could be just beginning.

Britain in brief

Manx man's conviction quashed

The Isle of Man appeal court yesterday quashed the 1992 murder conviction of Mr Tony Teare and ordered a retrial. Mr Teare still faced the death penalty although Manx law has since been altered to prohibit such a sentence been given again. Mr Peter Thornton QC, acting for Mr Teare, told the court that the Manx police had not disclosed potentially relevant evidence at the time of the trial.

He said this, combined with fresh evidence uncovered in the past year, made the conviction unreliable. Mr Benet Hytner QC, the appeal judge, ordering the retrial said he did not think the police officers intended to jeopardise a fair trial.

But he added: "It must be made absolutely plain to every policeman on the island, high and low, that this type of conduct cannot be tolerated."

Power supply licence goes

Large companies generating their own electricity need no longer have a supply licence if they want to sell more than half of it to other users, Mr Michael Heseltine, the trade secretary announced.

This will relieve them of the need to join the electricity pool and pay the fossil fuel levy, which amounts to 11 per cent of the cost of electricity for consumers.

Yesterday's action is one of a series of steps the government has been examining to bring down costs for large industrial consumers of electricity.

Manchester cuts costs

Manchester Business School managed to end its 1992-93 financial year with a deficit of only £111.779 on £11.03m of income after cutting costs in the wake of last year's controversy over its future. In 1991-92 it achieved a surplus of £238,439.

The school was heading for a deficit of £326,700 at the end of March - £706,700 worse than a then-budgeted surplus of £380,000. But it reduced costs from £11.22m to £11.14m to partly offset a 4 per cent drop in total income. The school says the reversal is the result of the recession, rather than damage done by the row, which saw the resignations of Professor Tom Cannon, its director, and 14 private sector leaders or former Whitehall mandarins serving on its council.

IT centre for Forres

Hoskyns, the UK computer services company which provides outsourced information technology services, is to set up a business process outsourcing centre at Forres, Grampian, in Scotland. The centre should employ 200 people within two years and will cost £3.2m, of which £1.5m is coming from Highlands and Islands Enterprise, the development body. The centre will be linked to clients via the Highlands' advanced telecommunications network.

Airwomen in RAF hearing

Pregnant airwomen were expected to go on manoeuvres in full battle-dress as part of an RAF ploy to discourage service members having children, an industrial tribunal heard. The claim was made as 13 women, all former members of the armed forces, began a battle for compensation from the MoD for alleged sex discrimination. It is the first mass action by ex-servicewomen since the MoD agreed a £22,000 out-of-court settlement earlier this year over the unfair dismissal of a pregnant woman.

Trident move wins backing

UK government plans to restrict the size of Britain's Trident nuclear deterrent received a broad welcome at Westminster yesterday, although some senior Tories sounded a note of caution.

Sir Nicholas Bonsor, chairman of the defence select committee, said Trident was a "sane" place to look for defence savings.

But he said the move left questions to be answered both on the number of missiles and warheads the armed forces would have in reserve and on how easily the policy could be reversed if a new strategic threat emerged.

Sir Geoffrey Johnson-Smith, chairman of the Tory backbench defence committee, said his colleagues would accept such a move provided it did not come on top of other serious cuts which could affect the effectiveness of the armed services. Labour welcomed the move which it said it had been advocating for the last four years.

Scots isles ahead in class

Schools in the northern isles of Shetland and Orkney continue to achieving the highest percentages of top grades in secondary school examinations for Scottish schools, according to the official exam results published by the Scottish Office yesterday.

The results, which cover the last three years, give detailed figures on the results for all Scottish secondary schools. They cover standard grade (the Scottish equivalent of GSCE) and highers, which are normally taken one year after standard grade.

The results tables include the performance of Scottish independent schools in standard grade and highers, but not in GCSE or A levels.

Bus sale approved

The government yesterday gave approval for the sale of Leicester CityBus, the bus company owned by Leicester City Council, to GRT Holdings, which operates buses in Aberdeen and Falkirk.

Leicester CityBus has a fleet of 217 vehicles and is the nineteenth public bus company to be sold leaving 29 still in local authority ownership.

GRT recently bought Northampton Transport from Northampton Borough Council. It acquired Leicester CityBus by competitive tender.

Refusal to answer not always a right

EUROPEAN COURT

A fundamental principle of European Union law, that an individual may refuse to answer questions in competition proceedings if to do so would incriminate them, does not apply to civil cases brought in national courts, the European Court of Justice ruled last week.

The court's ruling was made in a case involving the Arrondissementsrechtbank in Amsterdam. A customer had brought an action in the Dutch courts to have increases in bank charges declared unlawful under EU competition law.

As part of his case the plaintiff wanted to call bank employees to show the increases were not based on any objective justification but were the result of an inter-bank agreement.

Under Dutch law witnesses called to give evidence are generally obliged to do so, except in criminal cases. The bank argued that Dutch law in this respect was incompatible with Union law because it breached its right against self-incrimination. The Dutch court referred the question to the ECJ.

The court said the right against self-incrimination did not exist as a fundamental principle of EU law where it was relied on by companies in relation to infringements – particularly of competition law – in the economic sphere.

But the rights of defence that are also part of the fundamental principles of EU law do not allow the European Commission in the course of competition proceedings to compel a company to answer questions that might involve admission of an infringement.

The question the court had to answer was whether the same principle could be extended to cover civil proceedings in national courts relating to the application of EU competition rules.

The court said it was for the national law in conformity with EU law to define the appropriate procedural rules necessary to guarantee the rights of defence for interested parties.

It was not necessary for procedural guarantees at national level to be the same as those at Union level. The guarantees needed to respect the rights of companies in a competition case brought by the Commission differed from those needed to respect parties' rights in national civil proceedings.

In particular, in a case such as the present, in which the proceedings only concerned private dealings between individuals which could not directly or indirectly result in the imposition of a sanction by a public authority, an individual concerned could not take advantage of the right against self-incrimination as a matter of EU law.

The right that existed under EU law was specifically designed to protect the individual from measures taken by a public authority to cause that individual to admit the existence of certain types of behaviour, thereby exposing that person to penal and administrative sanctions.

The bank had also argued that the effect of such a ruling would be to deprive individuals of their rights under Union law with regard to self-incrimination, as the commission could simply obtain through national proceedings what it could not obtain through its own procedures.

The Court rejected that argument. The Commission, or any national authority, could not use information thus obtained to prove a breach of competition law in the framework of proceedings which could result in the imposition of sanctions, or even as a reason for justifying the opening of a preliminary inquiry.

C-60/92: Otto BV v Postbank NV, ECJ FC, 10 November 1993.

Compatibility of service station agreements of indeterminate length with EU law.

A pre-accession service station agreement would be compatible with the exclusive purchasing block exemption even though the agreement was of indeterminate length, because the general rules relating to the duration of agreements had been amended for pre-accession agreements. Thus, as long as the agreement met the other requirements of the block exemption, it would be valid.

C-39/92: Petroleos de Portugal – Petrogal SA v Correia and others, ECJ 1CH, 10 November 1993.

BRICK COURT CHAMBERS, BRUSSELS

Whiff of controversy hangs in the air

Robert Rice on the MMC's decision to allow perfume manufacturers to maintain a 'complex monopoly'

Quite a few eyebrows have been raised in response to last week's rejection by UK competition authorities of the complaint by Superdrug, the discount drug store retailer, that perfume manufacturers were unfairly refusing to supply it in order to maintain high prices and make monopoly profits.

Many observers found it hard to reconcile the Monopolies and Mergers Commission's two central findings: that a "complex monopoly" existed under which the leading perfume houses acted as a group in refusing to supply retailers they had not authorised themselves, and recommended resale prices; yet that these practices did not operate against the public interest.

Consumer organisations, Superdrug and other retailers were incredulous. The Consumers' Association said it was "an inconsistent, incoherent and badly argued report". It accused the MMC of putting the interests of the industry before those of the consumer and of strengthening a market where people were paying 20 per cent more than necessary.

But competition lawyers were less surprised. The MMC, they said, was bound to take into account the fact that the European Commission had exempted the distribution systems of the perfume houses from Rome Treaty competition rules since 1974.

The MMC was boxed in, particularly in the light of the recent approval by Brussels of the distribution arrangements of two leading perfume manufacturers, Yves Saint Laurent and Givenchy.

Mr Steven Sidkin, a partner of City solicitors Fox Williams which represented German manufacturer Meuhlens during the MMC inquiry, was delighted with the outcome. But he conceded that, if the MMC had concluded the complex monopoly operated against the public interest, it "would have had a devil's own job making recommendations which didn't conflict with the European Commission's position".

The fact that the MMC would have found it difficult to go against Brussels underscores the problems of achieving subsidiarity in competition policy.

It also suggests the MMC was prepared to ignore the fact that the issue of special treatment for the distribution of perfumes is still far from cut and dried. The European Commission's approval of the YSL and Givenchy regimes is being challenged in the European Court of Justice by Leclerc, a French supermarket chain. And the issue is still under debate inside the European Commission itself, where many officials cannot see why perfumes should benefit from rules originally designed to apply to technically complex products.

The basis of selective distribution systems is that the supplier limits the distribution of goods only to those wholesalers and retailers which satisfy certain criteria and which, as a result, have been allowed to join the system.

They constitute probably the only group of restrictive agreements which are allowed to remain outside the scope of the Rome Treaty competition rules because of the advantages they are said to confer on the distribution of certain types of goods.

The main category of goods they are said to benefit are consumer products which are expensive, technically complex and require sales and service facilities of a high standard to ensure customers get satisfaction from their purchases. Goods in these categories include motor cars and consumer electronics such as hi-fi equipment and personal computers.

At first glance it is not immediately obvious why perfume should be included. The perfume houses argue that their products can be satisfactorily sold only in a suitable atmosphere or ambience, where the up-market image of the fragrances is not spoilt by association with more mundane and less expensive goods.

They have further claimed that products that come into contact with the skin require specialist point-of-sale advice and that, while not technically complex, perfume requires a level of special selling expertise.

By and large the MMC has accepted these arguments. Others are not convinced. The Consumers' Association says its own surveys show consumers are interested in the brand of perfume, not in where they buy it: most customers have decided on the basis of advertising what they want to buy before they enter a shop. Many customers actually feel intimidated by sales assistants standing behind elaborate display counters. And many "authorised" retailers fail to observe the conditions set by the manufacturers and are "shabby in the extreme".

The CA says the manufacturers' main purpose in setting up selective distribution systems is to prevent supplies of their perfumes from reaching discount retailers such as Superdrug and Tesco, the UK supermarket chain. This, the CA alleges, is an anti-competitive practice specifically outlawed by Brussels, even in the context of selective distribution systems.

Sense on scents?

European Commission conditions for approving selective distribution of perfumes:

- Manufacturers allowed to assess a retailer's staff, sales area and range of stock in deciding whether to supply.
- Standards used to assess these factors must be non-discriminatory. No refusal to supply permitted because of a retailer's pricing policy.
- A retailer can be required to take part in promotional activities and carry a minimum level of stock.
- A retailer must be allowed to sell on to other authorised outlets.

The European Commission's reasoning for continuing to exempt the perfume houses distribution arrangements was set out in the YSL and Givenchy cases. These decisions allow the manufacturers to take into account factors such as the qualifications and experience of staff, the area set aside for selling the supplier's products and the range of cosmetic products stocked when deciding whether or not to supply a retail outlet.

Perfume houses argue their products can be properly sold only in an up-market atmosphere

The standards by which these factors are assessed must be applied in a non-discriminatory fashion. Manufacturers are not allowed to refuse supplies because of a retailer's pricing policy or because of the number of "authorised" outlets in a given area.

The supplier can require the retailer to accept certain obligations, such as participation in the manufacturers' promotional activities and carrying a minimum level of stock. The retailer must be allowed to sell on the products to other "authorised" outlets.

In granting these exemptions, the European Commission accepted that the promotion of a prestige brand image was "an essential factor" in marketing fine fragrances. It accepted the need for appropriate facilities, including "specialised technical advice" at retail outlets, was "a legitimate requirement". It also made clear that other manufacturers who met these terms could apply to the Commission for "comfort letters" confirming that their selective distribution systems complied with the requirements of European law.

On the strength of these decisions more than 30 perfume houses have made applications to Brussels for comfort letters. The decisions also appear to have played a decisive part in the MMC's thinking.

But the Leclerc case could still upset the apple cart. The 30 applications are on hold pending the outcome of the case. Oral hearings are scheduled for early next year but a final judgment is not expected before the end of 1994.

According to Mr Michael Reynolds, head of the Brussels office of UK solicitors Allen & Overy, it is theoretically open to the European Court to find there is no justification for extending selective distribution exemptions beyond goods which are technically complex.

If that is what the court decides, manufacturers of other luxury goods sold under prestige brand names which have benefited from exemptions in the past – such as watches and clocks, jewellery and even porcelain – could be forced to reassess their distribution arrangements.

Whatever the outcome of the Leclerc challenge, the whole issue of selective distribution for perfumes will be reviewed by the European Commission in 1997 when the YSL and Givenchy exemptions come to an end. According to Mr Reynolds, there is sufficient difference of opinion inside the Commission to make the outcome of that review far from certain.

Meanwhile, the issue of restrictive distribution arrangements in general will remain under the microscope both in the UK and in Europe.

Mars the US confectionery company has brought actions in Brussels and other European capitals challenging the ice cream distribution arrangements of Unilever, the Anglo-Dutch consumer products manufacturer which is the world's largest ice cream manufacturer.

Mars is challenging Unilever's policy of "cabinet exclusivity", which involves supplying freezer cabinets to small retailers free of charge on condition that they are not used to carry competitors' products.

The US manufacturer claims cabinet exclusivity unfairly inhibits entry into the ice cream market and penalises smaller producers.

Sir Bryan Carsberg, director general of fair trading, referring the issue to the MMC in May, appeared to agree. Cabinet exclusivity was "a major factor" in the growth in Unilever's share of ice cream sales and consumers would benefit if retailers were free to stock a wider choice of products, he suggested.

Brussels is expected to complete its examination of the issue of cabinet exclusivity in the new year. The MMC will report in the spring. The battle over the right of manufacturers to control their lines of distribution is beginning to gather pace.

MANAGEMENT: THE GROWING BUSINESS

Eleven years after starting his business in a Northern Ireland farmhouse, Robert Beckett was last week toasting the developed world's taste for cold beer.

Beckett's company, Valpar Industrial in Bangor, County Down, had just won the Northern Ireland section of an excellence award sponsored by the Institute of Export, the Financial Times and NatWest Bank. Valpar, which has picked up six business awards since 1989, has succeeded in spite of its size and the logistical handicap of being on the periphery of Europe.

It has done so by, among other things, developing a clever product in a niche market, appreciating the importance of quality, investing heavily in research and bringing in outside help to enhance its strategic thinking. Valpar, which has 43 employees, now exports 60 per cent of its £3m-a-year turnover and claims a 50 per cent share of the domestic UK market.

"This proves you don't have to be a giant to do things right," says Ian Campbell, director-general of the Institute of Export and one of the judges. "We were looking for excellence. Valpar demonstrated it in efficiency, quality, education, innovation and in ensuring that exporting was a general direction of the company, not just a bolted-on function."

Valpar makes a product known in the trade as python – a prefabricated line cooling system for dispensing drinks which looks like a thick snake and is similarly flexible. It consists of several plastic tubes – which carry beer, or any other type of beverage, from storeroom to tap – bundled round two inner tubes through which a coolant flows to keep the beverages in the surrounding tubes cool. The whole bundle is encased in insulating foam, forming a thick, black, cable.

Beckett's innovation, which he patented, was to automate the bundling and insulating process. Others, such as the brewers themselves, still make python by hand. Beckett has offered them an outsourced solution to a troublesome, labour-intensive problem.

His own problem in marketing it, meanwhile, was that of a small business selling to big business in the food industry. Credibility was all, particularly over quality, so Valpar dispelled any doubts by becoming accredited as soon as it could under BS5750, the UK quality standard, and ISO9002, its international equivalent, in 1989.

Siobhan McAleer, an international business studies graduate of the University of Ulster who did a project for Valpar and is now business development manager, says this is now paying dividends in export markets because quality can be taken for granted.

Siobhan McAleer, business development manager, with a variety of pythons: 60 per cent of Valpar's products are exported Wilfred Green

Make mine a python

Exporting from the periphery of Europe is not easy. **Ian Hamilton Fazey** on a company that has succeeded

An impressive list of customers also helps. It includes most of the UK's leading brewers, as well as continental giants such as Heineken. Northern Ireland's relative remoteness has not proved to be a disadvantage. The company was used to long-haul delivery to UK domestic markets; shipping farther afield was not much more difficult.

In the US, Valpar's production is licensed to the supplier of python to all McDonald's restaurants, where Coca Cola is the main beverage carried. The chilled Coke dispensed by Moscow McDonald's flows through python made in Northern Ireland. So do all the chilled drinks at Euro Disney.

Another secret has been Valpar's decision to opt for a vertically integrated structure, so that, for example, it manufactures its own plastic pipes. This enabled the company to win German health and safety approvals for its python, helping it to sell into Europe's biggest beer market.

Beckett believes in sharing some of the company's profits – normally above 10 per cent of sales – with his employees. Performance-related pay accounts for up to a quarter of senior managers' earnings. But most of the remainder is ploughed back into the business, notably into research. Valpar sponsors several postgraduate research students at Queen's University, Belfast or the University of Ulster with a view to improving its products. It is currently developing a nylon-based pipe that will be almost self-cleaning, saving downtime.

It is also diversifying into fuel lines for the automotive industry, as well as pythons down which telecommunications companies can propel optical fibres using compressed air. This means cheap python can be installed anywhere, with expensive optical fibre blown down it only when the customer wants it.

Not everything has gone smoothly, but when trouble hit, Beckett wisely sought outside advice. "Three years ago I was not enjoying things as I had before," he says. "I brought in consultants to interview all the staff and was forced to conclude that the problem was me. I was starting to get a bit dictatorial."

He decided he needed someone to keep him in check and help the company stay focused. KPMG Peat Marwick, his accountant, helped in headhunting Peter McKie, the Northern Ireland-based managing director of Du Pont UK, who became non-executive chairman in 1991.

Simultaneously, Beckett started five-year corporate planning under the guidance of KPMG and Ledu, the Local Enterprise Development Unit which runs Northern Ireland's small business support services. At 38, and with most of Valpar's workforce under 30, he says he still has a long way to go. The question, as with any successful young entrepreneur, is where. If Valpar is not a candidate for flotation, it must surely risk becoming a target for predators.

"I don't want to sell," Beckett says. "We are a tightly-knit team and I couldn't do it to the people who have built this company with me." He thinks diversification into telecommunications and automotive markets offers the best means of both development and defence.

Tim Dickson looks at a report which makes the case for government backing of new technology-based firms

Where the UK's venture capitalists have failed

Something has clearly gone wrong with the UK venture capital industry.

A decade or more ago this infant financial sector seemed set to turn Britain's rich base of scientific discoveries into a gushing commercial success. Imaginations fired by the success of early-stage risk investment in the emerging computer, semiconductor and biotechnology industries, disciples of the US model were intent on exporting its magic properties across the Atlantic.

As outlined in a report* written by Michael Hay of the London Business School and Steven Abbot of Abbot Consulting, however, investors outside North America have grown averse to young, technology-based firms.

In 1992, they say, just one in six disbursements by UK venture capital firms were made to seed, start-up or early-stage firms, against two in five only four years previously. The 1992 figure in the US, by contrast, was between one in three and one in four.

Hay and Abbot argue that the problem is not just lack of supply, brought about by the way the industry's reward structures favour larger and less risky deals such as management buy-outs and expansion financings. They claim that within the UK the difficulties facing new technology-based firms are compounded by the high cost of long-term capital.

Drawing on work carried out by two economists at the Federal Reserve Bank of New York, they show that in 1988 the real cost of capital for an R&D project with a 10-year pay-off lag in the UK was 60 per cent higher than that in Germany and about three times that in Japan. The gap, they believe, is not likely to be much different today.

The main purpose of the report, which uses simplified quantitative models and qualitative analysis, is to make the case for additional tax incentives to encourage early-stage NTBF investment. Some of these are designed to fill the gap which will be left at the end of the year when the much-abused Business Expansion Scheme finally disappears, but levelling the cost of capital "playing field" and easing the exit route for venture capitalists.

Hay and Abbot go to some lengths to demonstrate the scale of the financial benefits of NTBFs for the country as a whole. Their research estimates that roughly 27 per cent of the present value of an NTBF's future sales accrue to the exchequer via taxes, although the net benefit could be as high as 50 per cent if job creation is also taken into account. They also cite analysis by the Department of Trade and Industry of its existing "Smart" award scheme and of the similar German TOU scheme, which would appear to offer a generous payback.

Investors outside North America have grown averse to technology-based firms

The report says the government is likely to get "the biggest bang for its buck" by concentrating relatively small sums on seed, start-up and early-stage investments rather than on established firms, and this is in line with official policy as outlined in May's White Paper on realising the potential for science, engineering and technology.

The six proposed taxation reliefs are:

- *Equity investment relief.* This would be a tax credit *for the benefit of the firm*, which would be highest at the seed capital stage, but decline over the first three years after start up. One advantage of this approach, against giving an immediate, fixed-tax credit to the investor is that the NTBF would have to earn the cash before it claimed the incentive. The income foregone by the exchequer would be scaled down for unsuccessful investments.

  Since the vast majority of tax generated by NTBFs are employment taxes – notably National Insurance contributions – the authors claim that to some extent this relief is based on the extent of employment creation.
- Capital gains tax relief. This would be available to existing NTBF shareholders, equivalent to the amount of tax paid by the company and its employees over the course of its trading history.
- Portfolio relief. Put simply this would allow capital losses incurred as a result of investment in one or more NTBFs to be offset against capital gains generated in one or more similar investments.
- See-through relief. Its provisions would be similar in many ways to those already allowed under the S corporation election in the US and via silent partnership formation in Germany. NTBF equity investors would be allowed to benefit from the immediate "pass-through" of the company's net operating losses to their own individual returns.
- Interest relief. At present entrepreneurs borrowing money to buy shares in their new firm are allowed to offset interest charged on those funds against earned or unearned income, provided the company is either "close" or employee controlled. This proposal would extend that relief by allowing all equity investors to do the same and by exempting exempt from tax interest received by medium and long-term lenders.
- Illiquid company shares relief. The lack of liquidity in small company shares has prompted many proposals, but this one would reduce, initially to zero, capital gains tax on ICSs. Qualification would be by reference to the "total" and "free" market capitalisation of a company's equity and the average daily trading volume, by value, over the preceding year, as measured by the London Stock Exchange.

**Investing for the Future (£25 inc postage and packaging) was commissioned by Advent, a London-based, venture capital company. Available from Julie Allen, Advent, 25 Buckingham Gate, London SW1E 6LD. Tel: 071 630-9811.*

LEGAL NOTICES

No. 009416 of 1993
In the High Court of Justice
Chancery Division
IN THE MATTER OF VERSON INTERNATIONAL GROUP plc
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 28th October 1993 for the confirmation of the reduction of the share premium account of the above named Company. AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 24th day of November 1993. Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the capital redemption reserve should appear at the time of the hearing in person or by Counsel for the purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.
Dated the 16th day of November 1993
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

Whitbread rings the changes

Whitbread, the brewing and retail group, is to make a series of senior management changes in its public house operations following the retirement next February of Len Oliver, managing director of Whitbread Pub Partnerships for the past three years.

Oliver was previously managing director of Thresher and has been with the company for 19 years.

Oliver, 53, who joined Whitbread in 1976 after 20 years with J Lyons, was largely responsible for the reorganisation of Whitbread's leased pub estate to meet the requirements of government legislation. That restructuring followed on the heels of a report from the Monopolies and Mergers Commission, an inquiry into the brewing industry.

Oliver is to be succeeded by Bill Shannon, 44, who is at present managing director of the group's Beefeater restaurants and pubs, and former managing director of Thresher, the off-licence chain. Shannon, right, will join the group's executive committee on December 1.

Simon Wood, commercial director of Whitbread Inns, the managed pub estate, will take over as managing director of Beefeater.

Wood joined Whitbread Inns in 1990 from Chef & Brewer, where he had been managing director.

Stewart Miller, 40, operations

director of Beefeater will become sales and marketing director of Whitbread Inns.

He will be replaced by Ian Webster, 39, currently director and general manager of Sherwood Inns in Sheffield, where he is responsible for more than 280 managed pubs.

David Livingstone, 48, operations director of Whitbread Inns, takes up a new post of business development director, and will concentrate on the division's expansion plans.

All the management changes are due to be in place by the start of Whitbread's financial year on March 1 1994.

Peter Jarvis, chief executive, said: "Each of the new appointments is designed to bring fresh impetus to the growth plans of the operating companies concerned. We are fortunate in having management strength in depth to make such a series of changes from within the company's own resources."

■ Robert Hayward, former Tory MP for Kingswood, far right, has been appointed director general of the British Soft Drinks Association, which represents the UK's £6bn-a-year industry, the fastest growing sector of the grocery trade.

An economics graduate, Hayward, 44, was a personnel and industrial relations manager, as well as a member of Coventry council, before he entered the Commons in 1983.

During his nine years at Westminster, Hayward served as parliamentary private secretary to a number of ministers.

Hayward was awarded the

OBE for his work as a co-founder of the Gulf Support Group. The group represented families and friends of Iraqi hostages.

No grouses for Ivory at Highland Distilleries

Brian Ivory, managing director of Highland Distilleries, is to become group chief executive next August.

Highland Distilleries is a medium-sized quoted whisky company, with a market capitalisation of some £342m, whose best known brand is Famous Grouse, whose sales in export markets are expanding, already contributing 55 per cent of profits.

The current executive chairman, John Goodwin, will reach the company's retirement age of 62 in August 1994. But Goodwin, who has spent almost 30 years on the board, will not be a stranger in future; he has been asked to stay on as non-executive chairman.

The move is being announced relatively early, in order to prevent *speculation*.

Ivory, 44, is a member of the east of Scotland family whose name occurs in the Edinburgh fund managers Ivory & Sime and Stewart Ivory, where his older brothers James and Ian are directors.

After education at Eton and Magdalene college, Cambridge, he trained as an accountant before joining Highland Distilleries in 1978. He became managing director in 1988.

Ivory considers that the arts head the list of of his non-professional interests. He was on the Scottish Arts Council for several years, eventually becoming its vice-chairman.

Moreover, he is also a keen practitioner of the bagpipes, and is involved in a £3m project to house the College of Piping in a derelict church in Glasgow.

Texas Homecare selects its new finance director

John Coleman, new chief executive of Ladbroke's DIY chain Texas Homecare, has brought in another colleague from his days at the Dorothy Perkins chain, David Adams, to join his team as finance director.

Coleman, formerly chief executive of Dorothy Perkins, announced earlier this month that he had recruited Stephen Hibbert, operations director at the Burton group's fashion chain, to be his operations director at Texas.

Adams, 39, has worked with Coleman for five years, first as finance director of the Top Man and Top Shop chains, and later as FD at Dorothy Perkins.

After gaining an economics degree from Edinburgh University, Adams began his career at British Leyland as a graduate trainee, but moved a year later to spend three years at ITT.

From 1981 to 1985 he held various financial planning and analytical roles at Max Factor, the cosmetics group, before becoming an accountant with National Adhesives, a division of Unilever. He joined Burton group's corporate finance department in 1986.

Adams fills a post that has been vacant since June when Peter Hallett left Texas to join Hobson, the toiletries group.

John Coleman, who joined Texas in September, has quickly assembled his team. Earlier this month he appointed Nigel Franks as property director and moved Andrew Kinnell, formerly operations director, to the new post of director of systems and logistics.

TECHNOLOGY

The waterjet process has come of age and is creating interest worldwide, writes Andrew Baxter

Industry on the cutting edge

At the LVD machine tool factory in Belgium, engineers have produced a jigsaw puzzle map of Europe, adorned with the company logo, that has been cut on a piece of blue foam rubber about half an inch thick.

A long way further east in Ukraine, automatic dismantling lines designed by Ingersoll-Rand, the big US industrial equipment group, will soon be in place to begin dismantling more than 200,000 tons of surplus Ukrainian ammunition.

The link between these two events is water. LVD is one of the most recent entrants, while I-R was one of the pioneers in waterjet cutting technology.

This process is in use by, or being considered by, a wide range of industries from fish-finger manufacturers to stone and glass cutters. So far, automotive and aerospace companies have been the biggest users of the process.

As is also the case with most technologies involving water, the basics of the process are simple. Water is filtered, then passed through a powerful pump and intensifier. It is then squeezed out of a nozzle with a diameter varying from 0.1mm to 0.3mm, at a pressure of up to 4,000bar.

The result is a stream of water travelling at speeds ranging between Mach two and three. Alone, the water will cut through paper, frozen foods, thin wood, car interiors, sponge and rubber and certain plastics, but if abrasives are added it will cut through steel up to 150mm thick. Waterjet cutting is not that new – I-R introduced its first waterjet cutting systems in 1971 and found some of its first applications in the furniture industry. But the technology has come of age and is generating increased interest worldwide.

The result is a stream of water travelling at speeds ranging between Mach two and three

I-R is one of the leading players, along with another pioneer and US rival, Flow International. This pair dominates the industry, which also includes companies such as Indiana-based ASI Robotic Systems and Bystronic Maschinen of Switzerland. There are many smaller players offering niche products and buying in the pumps.

In the 1970s, the system was perceived to be too slow, says Paul Etchells, UK, Ireland and Benelux sales manager for ABB I-R Robotised Waterjet Systems, a joint venture between I-R and Asea Brown Boveri, the Swiss-Swedish engineering group.

"But the initial problems have been resolved and since the early 1980s, we've had highly reliable systems being used in high-volume production," he says.

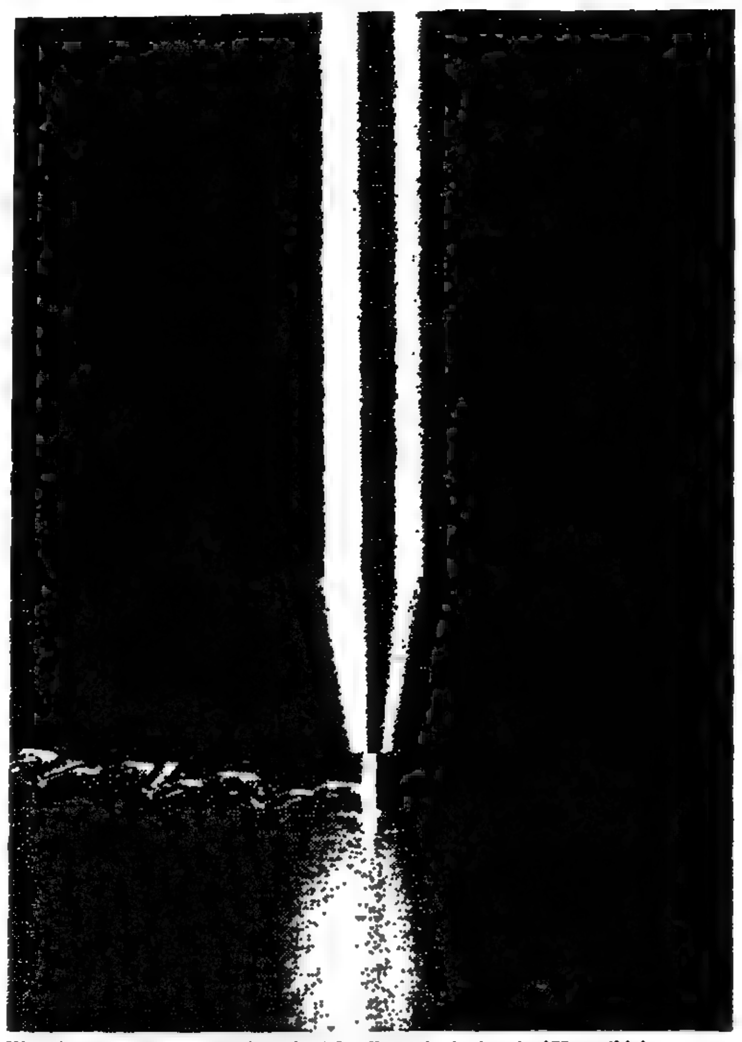
The introduction of abrasives has been the main driving force for the industrial development of waterjet cutting. A powdered abrasive known as garnet is introduced through a tube into a tiny mixing chamber before the water leaves the nozzle. The water then acts as carrying agent for the abrasive, which moves almost as fast as the water and does the cutting.

This process has coincided with the growing use by automotive and aerospace companies of materials ranging from sophisticated plastics and composites to aluminium and titanium. It has offered faster and more accurate cutting than traditional methods such as sawing, routing, or cutting with a hot wire.

At Rockwell International, for example, I-R's waterjet cutters were used on titanium components for the B-1B bomber, which would previously have been produced through a four-stage process of inking, scribing, hand cutting and filing. Waterjet cutting eliminated the first two stages and reduced the filing, so that 12 parts could be cut and finished in the time taken to polish one part produced by sawing.

Aerospace companies have also found that by using waterjets, they can cut composite materials without delaminating the edges. Delamination is an anathema as it can weaken the whole piece: "It would be like having a piece of cardboard with a wet edge," says Ivan Lockett, LVD's UK managing director.

The second important development has been the tie-ups between robotics suppliers and vendors of waterjet cutting systems, such as the two-year-old ABB I-R joint venture. Once attached to a sophisticated, computer-controlled robot, a waterjet can move around and across a three-dimensional part such as a car dashboard, cutting the outline and creating the holes for the instruments.



Waterjet technology is capable of cutting through steel up to 150mm thick

Along with car carpets and headliners – the inside of the roof – dashboards are the most popular applications for waterjet cutting in the automotive industry.

The advantages of waterjet cutting include its flexibility and easy maintenance. It produces no dust or toxic fumes and the component is not affected by heat distortion. There is no cutting tool to wear out, although the nozzle has to be changed occasionally.

But there are drawbacks. The process is noisy, although that can be reduced by cutting underwater – with the component just below the water surface. Although the basic running cost without abrasive is only £3 an hour, the cost rises to £10-£18 with abrasive, says Etchells.

Also, while the process uses very small amounts of water, because the jet is so thin, the abrasive cannot be recycled, and a typical metal-cutting application will use 1kg every three minutes, according to LVD. Research is under way in Germany to find ways to recycle the abrasive, which ends up wet and contaminated with bits of the component.

For thin metals – for example, steel up to 16mm – cutting with a laserjet can be five to 10 times faster. Beyond that, however, laserjets are much slower and rarely used, while the shininess of metals such as copper, brass and aluminium make it possible to cut only very thin sheets with lasers.

There are occasional problems, too, with the continuation of the waterjet after it has cut through the component. In three-dimensional work, situations can arise where the jet will damage a part of the robot, but cutting in water may provide the solution.

Nevertheless, waterjet cutting has built up an impressive reference list after more than 20 years. Most US-built airliners, for example, will have components produced by waterjet. Boeing will be using three big ASI robotic waterjet cutting machines for the tail section supports and other large parts for the new 777 airliner.

In I-R's Ukrainian contract, high-pressure waterjets will remove explosives from tank ammunition artillery shells and mortar rounds without detonating it. The machines have been ordered by Alliant Techsystems, the big Minnesota-based munitions manufacturer.

LVD, meanwhile, entered the waterjet cutting market through an agreement with ASI last year to market the systems in Europe. The Belgian company is one of the world's biggest producers of machinery for cutting, punching and bending sheet metal and sees waterjet cutting as complementary to its laserjet cutters.

In September, it introduced the Aquarius range of machines, mainly for cutting flat surfaces, but will also market ASI's 3-D systems in Europe. According to Jean-Pierre Lefebvre, LVD's president, Europe is a step behind the US in the application of waterjet cutting and the process could represent 10 per cent of LVD's business in 10 years.

In the future, waterjet cutting is likely to become increasingly integrated with other parts of the production process. This is already happening – ASI's system for the 777 tail section, for example, inspects the parts after they are cut, using a probe from Renishaw of the UK to carry out co-ordinate measuring.

Not to be outdone, the ABB I-R joint venture recently won an order from Statoil Europarts, based in Sweden, for a robotised system that cuts, cleans, washes and dries vehicle instrument panels. It claims that this is the first time all four operations have been carried out in the same piece of equipment.

A catalogue of developments

Graham Clayton on computer moves in the British Library

Computers can prise out nuggets of information from databases at speeds that narrow information searches down to seconds. This was just what the British Library wanted to achieve by computerising its catalogues, a process which has just been completed.

But the volume of information to be handled was vast. The size of the catalogues from the library's various sites – such as the reading room at the British Museum, the science library in central London and the newspaper library in north London – was one of the biggest problems to be overcome. It claims to have 150m items in its collections, ranging from papyrus to CD-Rom, in every written language.

Most local libraries have a computer system to keep track of items loaned out, but in many cases the only way users can see what is in the catalogue is by searching card indexes or microfiches. This is because putting an existing catalogue on to a computer system is time-consuming and expensive.

Another problem is that the British Library must also cater for inexperienced users. The solution is its recently unveiled Online Public Access Catalogue (OPAC) which uses equipment provided by Digital Equipment as part of a £1m sponsorship deal.

This enables the user to search catalogues by responding to questions on a computer. Using software developed in-house, the system asks for details such as subject, author, title or publisher and finds the relevant material. The user looks at this and asks the system to note items of interest.

This throws up a further problem. Since much of the material is of foreign origin, searches must be possible in the appropriate language. If a document was published in Russian, the system can display a Cyrillic "keyboard" on the terminal screen and this can be used to type in a request. The user's first language may not be English, so the system will be able to talk to users in one of six languages, currently English, four other western European languages and Russian.

OPAC covers 6m items from the catalogues of recent material in the science and humanities collections – 80 per cent of the printed books held in London. The system, which has just gone live, also includes earlier humanities material and the recent printed music catalogue.

OPAC will really come into its own when the British Library moves to its new site at St Pancras due to be completed after lengthy delays in 1996. Equipped with 150 terminals, it will be linked to a book-ordering and a mechanical handling system. The aim will be to have 90 per cent of all requested material delivered to the users within half an hour.

The system will also be linked to reader admission software so that it can build up an awareness of the level of skill of each individual user. By this means, it will be able to offer much more help to novices, while allowing advanced users to build up complex searches with the minimum of prompting.

One further development means some users will not have to visit the library at all. A trial has just begun which uses the Joint Academic Network (Janet) to make OPAC available to other libraries, initially at University College London, and Brunel University, near London.

At first, librarians will act as gatekeepers to handle the system at these sites, but there is no reason why the facility should not be made available later on networks outside these libraries. The system will be formally launched on Janet at the beginning of next year with about 20 UK institutions taking part. There are also plans to offer similar access over public networks such as Internet.

Most users will welcome the advantages the new technology will bring, but some will miss the studious atmosphere of the old reading rooms. Maybe they can compensate by using a home computer to browse through the catalogues surrounded by their own books.

'Kentucky' conquers Broadway

Karen Fricker finds Robert Schenkkan's epic play about American history a triumph

New York has been waiting so long for the opening of Robert Schenkkan's *The Kentucky Cycle* that by now the facts are well known here. It is the first play ever to win the Pulitzer Prize (in 1992) without having played in New York, and at \$2.5m is the most expensive non-musical ever mounted on Broadway. The six-hour, two-part epic spans 200 years in the lives of three families in the Appalachian region of Eastern Kentucky, played by a cast of 21 led by Stacy Keach and directed by Warner Shook, who also directed it in Seattle and Los Angeles.

All this we knew before its opening last Sunday, but the \$2.5m question remained: was *The Kentucky Cycle* to join the ranks of plays which garnered extravagant praise in the regions, only to meet critical and audience indifference on Broadway?

Its financial fate still hangs in the balance, but this much is sure: artistically, *The Kentucky Cycle* is a triumph, a gorgeously written, ingeniously structured play given a reverent production featuring some of the most remarkable acting seen on New York stages in several seasons. Full of action, humour, danger and pathos, it is a searching journey through American history told through scene after riveting scene of people pushed to the extremes of human experience. *The Kentucky Cycle* joins *Angels in America* in reclaiming Broadway as the place where American theatre's best and most uncompromising visions can be displayed.

Shook's staging, on Michael Olich's elegantly spare set, flows so naturally from the script that it is hard to imagine another interpretation, let alone a better one. When the audience enters, the stage is exposed – no curtain – to reveal a simple scaffolding structure that creates a large, bare playing area centre stage. The actors enter, while the house lights dim, and face the audience. A spotlight grabs a single actor, who announces the first of the play's nine sections: "'Masters of the Trade'. The year is 1775. A small clearing in a thick forest somewhere in Eastern Kentucky. A creek flows nearby . . ." This introductory ritual is performed before each section. The actors perform all set changes in view of the audience and never leave the stage, taking seats around its periphery to observe the action while they are not performing.

"Masters of the Trade" introduces the scion of *The Kentucky Cycle's* central family line, Michael Rowen (Keach), and establishes the play's cracking pace. By the section's end, Rowen has ruthlessly killed two men to lay claim to the homestead that will provide his family its identity – and its strife – over the next 200 years. In the brief second section, "The Courtship of Morning Star", Rowen literally drags a Cherokee woman into his home to be his wife; she bears Rowen a son, Patrick, who is, as we soon see, "born with teeth."

The barrel-chested, basso-voiced Keach is in commanding form; in the course of the play he will give impressively varied portrayals not only of the first Rowen but of four of his descendants; it is one of the production's delights to watch the 12 core cast members transform into generation after generation of characters.

These first two sections, however necessary, are not the play's most compelling; it is in the third, "The Homecoming", that the *Cycle* really begins to spin. Patrick Rowen, now aged 16, commits a bloody act which recalls the house of Atreus and entairls similar results on his and future generations. "The Homecoming" also sets in motion a feud between the Rowens and their nearest neighbours, the Talberts, and introduces the third family line that figures in the *Cycle*, in the form of Sallie, a black woman whom Michael brings home to be the family's slave.

The play is now in its stride: the final chapter of Part I, "God's Great Supper", which takes the play through the Civil War years, is its most action-packed; the first two sections of Part II, "Tall Tales" and "Fire in the Hole", which chronicle the mining industry's destruction of the land and the rise of the unions, are equally gripping; Gregory Itzin gives the play's outstanding performance as a salesman who hoodwinks the Rowens out of the mineral rights to their land.

The pace wanes in its final two sections. The penultimate, "Which Side Are You On?", is so heavy with union/owner machinations that we lose track of the family story: that of Josh Rowen, whose choice of corporate responsibility over family loyalty brings about a tragedy that severs the family line. And in the final chapter, "The War on Poverty", set in 1975, there is too much banter before the play moves to its inevitable, and inevitably moving, end as Josh Rowen literally buries his past while his ancestors bear witness.

While situations and relationships in *The Kentucky Cycle* echo Shakespeare and Greek drama, in scope at least, its specific theatrical reference points are distinctly American: its themes of workers' struggle to maintain self-respect and identity, the debt owed to family, and the moral price of betrayal recall, in turn, Odets, O'Neill, and Miller. The play's most affecting message is its debunking of that most American of myths: the eternal frontier. The world of the play sickens as man's distance from the land grows; the play's most heroic characters are those closest to nature; and the only closure possible for the last of the Rowens is achieved alone on his land with his hands in the earth.

It is appropriate that a play with such a strong evironmental theme should be produced on Broadway: what could bring its message home more fully than emerging with a sickening jolt, to the urban monstrosities of West 45th Street?

The play can be viewed in a day-long marathon or on successive evenings. Tickets come dear – \$100 – but there is nothing on or off-Broadway that matches *The Kentucky Cycle* for entertainment, theatricality, and food for thought.

Joan Marcus

Tuck Milligan, Stacy Keach and Ronald Hippe

Wayward spirit from St Ives

William Packer reviews Roger Hilton at the Hayward Gallery

The opening last summer of the Tate's new gallery at St Ives and the Ben Nicholson retrospective running on into the New Year at the parent Tate on Millbank, have emphasised the role of the school of St Ives as a crucible of British modernism. The somewhat smaller retrospective of the work of Roger Hilton that has just opened at the Hayward can only keep that interest alive.

While any serious reassessment of the received critical wisdom is necessarily a good thing – on whether or not that immediate post-Nicholson, post-war generation of which Hilton was a part made a significant contribution on an international scale – the effect upon Hilton's own standing is not quite so certain.

The difficulty with Hilton is not that he died young, which he did not – he was 64 when he died of a stroke in 1975 – but rather that his reputation carries with it a romantic aura of wildness, dissipation and talent cut off unfulfilled. The curious thing is that it works to his advantage independent of the paintings themselves. We look at the collective achievement of his peers, at Heron, Frost, Lanyon, Gear and Scott, who proved more consistent, dogged and workaday in their careers, and still we tend to say: ah, but Hilton's was always essentially the more original, the more brilliant talent: what a pity he died so soon.

There is certainly no denying him his place in British abstraction of the 1950s and 1960s, in particular in the evolution of the imagery and sensibility peculiar to St Ives. In his work almost from the start we find that characteristic, decorative lightness of touch, those swooping linear motifs, the flat, frontal, unmodulated areas of paint, those combinations of colour, so bold and pure, white and black, ochre and umber, orange and scarlet. And there, too, is the intelligent, sensitive response to the abstract expressionism that in the 1950s was sweeping in, and all before it, from New York. The St Ives position was sympathetic, yet properly independent and distinctive and in international terms it has still to be given its due acknowledgement. Hilton was part of it.

But he is no longer so special. The curious effect of this selection of his work is to make that of his absent friends, and that of Terry Frost in particular, seem the more substantial, thorough and sustained. The chronology is a revelation. Through the late 1940s he was picking up again the interests and contacts he had formed in Paris before the war, and was responding particularly to the newer, post-Picasso abstraction of such painters as Bissiere, Manessier and Bazaine, Poliakoff, de Stael and Constant. In London at the turn of that decade he was clearly influenced by Victor Pasmore at just the moment when he was "going abstract" so controversially, and he was also in touch with William Gear, Patrick Heron, Adrian Heath and Terry Frost.

So he was one among many, an artist responding to the currency of the visual debate rather than leading and influencing it. He was certainly quick on the uptake, intelligent, sensitive and, above all, articulate in his responses and blessed with a marked technical facility. Wearing his New Statesman critic's hat, the painter Patrick Heron said as much in his review of Hilton's show at Gimpel Fils in 1952: "Roger Hilton is a natural painter. That is to say he cannot put a brush to canvas without creating a splotch, smear, streak, stain or smudge . . . that is charged with expressive quality . . . The precise character, the texture, size, colour, tone, direction and rhythm of each ragged touch is his main conscious preoccupation."

The trouble was that this preoccupation became more and more perfunctory as the years went by, the line, whether in paint or charcoal, more suggested than certain and established, the painted surface often barely more than an indication of intent. He had his successes, certainly, for he was being shown widely abroad by the early 1960s, both commercially and officially, at the Documenta of 1959 and the Venice Biennale of 1964. And yet time and again in this show we find that what was once construed as energy and commitment to be manifest desperation. With his alcoholism an ever-present and worsening condition, he had plenty to be desperate about; yet the old energy, fluency and invention never quite deserted him. It was only the final resolution of promise into real achievement that was missing.

Indeed he, and we, might have been better served by a comparative study that set him alongside his peers, Frost, Gear and Pasmore, in the context of the 1950s. By a happy chance, two new, albeit small displays, at the Tate at Millbank and at St Ives drawn from the permanent collections, offer us at least a view of the work of Terry Frost in that period. "A Walk along the Quay" at St Ives is especially useful, focusing upon Frost's imagery at the critical stage in its evolution from associative to absolute abstraction. The boats rocking in visual counter-point on the tide, or tipping all ways on the sand, the gulls swinging on the sea breeze, the sunshine glancing off the waves – it is all there. Frost saw and responded directly to it. More to the point, while lacking Hilton's conspicuous fluency of touch and statement, he worked upon it consistently to produce over a period a body of work of true substance and creative authority. And having established it, he has stuck to it all these years.

Romantic aura of dissipation: 'Nude', 1974, by Roger Hilton:

Roger Hilton: The Hayward Gallery, South Bank Centre SE1, until February 6, then on to the Ikon, Birmingham, and the Whitworth, Manchester. Terry Frost: "A Walk along the Quay": The Tate Gallery, St Ives.

Opera in Geneva/Andrew Clark

'Cenerentola' finds a star

No sooner has Marilyn Horne made her European farewells as queen of Rossinian *bel canto* than another American picks up the crown. Jennifer Larmore is no stranger to this side of the Atlantic: her Handel recordings have announced a voice of exceptional beauty, and her initial stage appearances showed promise. But it is only recently that her talents have come into focus, confirmed by her Angelina in the new production of *La Cenerentola* at Geneva's Grand Théâtre.

She has a perfectly-formed figure, a natural smile and a gracious manner: this Cinderella is Princess Charming from her first appearance, no matter what her dowdy servant-clothes might say. This helps win the heart not just of her prince, but of the audience – a major advance on her Dorabella in *Cosi fan tutte* two seasons ago.

Rossini's demure damsels seem Larmore's natural territory, with Teresa Berganza her model rather than Horne. The timbre is aristocratic – plush velvety and eventhroughout the range. She may lack Horne's exciting top and stentorian chest register, but she is no mechanical note-spinner: the musical syllables fall naturally within the framework of unbroken lyrical melody. All she needs now is a more pronounced theatrical personality.

Larmore will be lucky to find a production as good-humoured as Jérôme Savary's in Geneva: it is one of the best things he has done. Using Ezio Toffolutti's unostentatious painted sets, Savary goes unashamedly for laughs, without overshadowing the musical quality. Unlike some of his recent Offenbach productions, he never runs out of ideas, even if the scampering crescendos gather a farcical momentum more in keeping with French operetta than Rossini's *melodramma giocoso*. That the result is so satisfying owes much to the alert accompaniments provided by Jesus Lopez Cobos and the Lausanne Chamber Orchestra.

Carlos Chausson's Don Magnifico is a crusty old devil with split-second comic timing. As the sisters, Jeannette Fischer and Claire Larcher make a virtue out of vulgarity. Kristinn Sigmundsson is a benevolent, bear-like Alidoro, Alessandro Corbelli the diminutive Dandini. Rockwell Blake's reedy timbre may be a matter of taste, but he is a suave stylist and looks the part of the handsome prince. *Cenerentola* is an opera of ensembles – and Geneva has assembled as good an ensemble as you will find.

Performances tonight, Friday, Sunday

Recital

Jessye Norman

The Royal Festival Hall is hardly ever used for solo vocal recitals these days. In the 1970s an attempt to put on a week of singers met with disastrous attendances and a description of the hall as looking like a "deserted aircraft hangar".

It is clearly important to know one's audience. Not only was the hall packed for Jessye Norman on Sunday afternoon, there was a queue for returns (despite a £50 top price). Inside the atmosphere reeked of adulation. There comes a point where it is difficult to hear the music for the clamour of applause that greets a star singer whose fame has spread beyond the usual boundaries. art.

To Jessye Norman's credit, she managed to hold off the temptation to play the celebrity until the end. She takes her song repertoire seriously and has always wanted to be recognised in it. Unfortunately, seriousness of intent can lay a dead hand on a singer's best efforts in the world of the German Lied and it was a while before this programme showed much sign of life.

Dutiful enunciation of the words, careful gradation of tone, nothing flagrantly out of style: all manner of worthy descriptions could be given to the the first half Schumann and Strauss songs, but the music simply failed to come alive. Norman is not good at keeping the momentum going at slow speeds and pensive songs tended to drift without purpose. Strauss's "Cäcilie", fast, loud, exuberant, sparkled like a firework after the gloom.

For the second half, the programme turned to Messiaen and Schoenberg – a daring choice, amply rewarded. The music of Messiaen's *Poèmes pour Mi* inhabits a post-Wagnerian hot-house of opulent harmonies, which support grand and sensuous vocal outpourings of a kind that Jessye Norman can not just handle, but positively enjoy. The whole recital lifted and that was not least thanks to Geoffrey Parsons's effortlessly stylish support at the piano.

The Messiaen had unlocked the singer's personality; the Schoenberg (his *Brettl Lieder*, recently recorded together with *Erwartung*) allowed it to blazen forth for her admirers. Jessye Norman made sure that the songs had an impact at the back of the top tier. The date for her 1994 recital has already been set and so have the prices (the same again). Clearly she has an optimistic view of inflationary trends in the UK over the next twelve months.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Leonard Slatkin conducts Saint Louis Symphony Orchestra in works by Barber, William Bolcom, Claude Baker and Gershwin, with flute soloist James Galway. Tonight (Kleine Zaal): Udo Reinemann sings Schubert's Winterreise. Tomorrow, Thurs: Hartmut Haenchen conducts Royal Concertgebouw Orchestra in Gluck, Mozart and Mendelssohn. Fri: Mariss Jansons conducts St Petersburg Philharmonic Orchestra in Berlioz, Sibelius and Rakhmaninov, with violin soloist Maxim Vengerov. Sat: Netherlands Chamber Orchestra plays Beethoven and Mozart, with soloists Maria Joao Pires and Augustin Dumay. Sun afternoon: Radio Philharmonic Orchestra and Chorus plays Webern, Hartmann, Boulanger and Boulez. Next Tues: Frans Brüggen conducts Orchestra of 18th Century. Nov 24, 25, 28: Haitink conducts Royal Concertgebouw (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, Fri, next Mon: Christophe Rousset conducts Pierre Audi's new production of L'incoronazione di Poppea, with Cynthia Haymon and Brigitte Balleys (also Nov 25, 28, 30). Nov 28: Philip Glass solo piano (020-625 5455)

■ ANTWERP

Leonard Slatkin conducts Saint Louis Symphony Orchestra in works by Claude Baker, Beethoven and Richard Strauss tomorrow at deSingel, with piano soloist Rudolf Buchbinder (03-248 3800). Flanders Opera gives concert performances of Samson et Dalila on Sun and next Tues, with a cast led by Vladimir Popov, Florence Quivar and Jean-Philippe Lafont (03-233 6685)

■ BRUSSELS

Palais des Beaux Arts Tonight: Emerson Quartet plays Schubert, Rihm and Beethoven. Thurs: Philip Ellis conducts Belgian National Orchestra in Haydn, Prokofiev and Franck, with violin soloist Augustin Dumay (02-507 8200)
Monnaie Tonight, Thurs: Antonio Pappano conducts Guy Joosten's new production of Carmen, with Kathryn Harries and Richard Margison. The production returns for a second series of performances starting Dec 21 (02-218 1211)

■ CHICAGO

CHICAGO SYMPHONY
Georg Solti conducts works by Stravinsky, Mendelssohn and Beethoven on Thurs and next Tues, with piano soloist Patricia Pagny. Kenneth Jean conducts works by Morton Gould, Grieg, Respighi and Copland on Fri afternoon. Pierre Boulez opens a three-week residency on Nov 26 (312-435 6666)

CHICAGO LYRIC OPERA
Cosi fan tutte and Die Walküre are in repertory at Civic Opera House over the next three weeks. Peter Hall's staging of the Mozart is conducted by Andrew Davis, with a cast led by Carol Vaness, Delores Ziegler, Keith Lewis and Jeffrey Black. August Everding's new production of the Wagner, conducted by Zubin Mehta, opens next Tues with Eva Marton, James Morris, Siegfried Jerusalem and Tina Kiberg (312-332 2244)

■ GENEVA

Grand Théâtre Tonight, Fri, Sun: Jesus Lopez Cobos conducts final performances of Jerome Savary's new production of La Cenerentola, with Jennifer Larmore and Rockwell Blake (022-311 2311)
Victoria Hall Tomorrow: Günther Herbig conducts Orchestre de la Suisse Romande in Brahms' First Piano Concerto (Radu Lupu) and Second Symphony (022-311 2511)
Comédie John Millington Synge's 1907 tragi-comedy The Playboy of the Western World runs daily till Sat. Next week: Corneille's La Place royale (022-320 5001)

■ GHENT

Flanders Opera gives concert performances of Samson et Dalila tonight and Fri, with a cast led by Florence Quivar, Vladimir Popov and Jean-Philippe Lafont (091-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Tonight: Hague Philharmonic Orchestra and Chorus in Bach's B minor Mass. Thurs: Cantamus Alati in choral music by Schubert and Mozart. Fri, Sat: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in Mahler's Ninth Symphony. Sun: Emanuel Ax piano recital. Mon: Netherlands Chamber Orchestra plays Beethoven and Mozart, with Maria Joao Pires and Augustin Dumay (070-360 9810)
AT&T Danstheater Thurs, Fri, Sat: Nederlands Dans Theater in choreogaphies by Jiri Kylian. Sun afternoon: Ballet Teatro Espanol de Rafael Aguilar in a programme entitled Carmen Flamenco (070-360 4930)

■ VIENNA

Konzerthaus Wien Modern: Vienna's contemporary music festival continues till Nov 26. This week's events include concerts tomorrow and Thurs by Docklands Sinfonietta conducted by Sian Edwards, with music by Harrison Birtwistle, Jonathan Harvey and Takemitsu. Friedrich Cerha and Hans Zender conduct their own works on Friday and Saturday (712 1211)
Musikverein Tonight: Trio di Trieste plays piano trios by Brahms and Schubert. Fri, Sat, Sun: Leopold Hager conducts Vienna Symphony Orchestra and Chorus in works by Debussy, Saint-Saens and Honegger, with cello soloist Matt Haimovitz (505 8190)
Staatsoper Tonight: Il barbiere di Siviglia. Tomorrow: Madama Butterfly. Thurs, next Mon: new production of Kenneth MacMillan's ballet Manon. Fri: Carmen with Graciela Araya and Luis Lima. Sat: La boheme. Sun: Don Giovanni with Renato Bruson and Nancy Gustafson (51444 2955). Fri at Volksoper: Anja Silja stars in The Makropoulos Case (51444 2959)
Kammeroper Tomorrow: first night of new German-language production of Rossini's La scala di sieta, directed by Boris Pokrovsky (513 6072)

■ WASHINGTON

MUSIC
● Tonight's National Symphony Orchestra programme at Kennedy Center Concert Hall is conducted by Zdenek Macal and features symphonies by Berlioz and Howard Hanson. Thurs, Fri, Sat, next Tues: Jiri Belohlavek conducts Grieg, Janacek and Dvorak. Sun: Pinchas Zukerman and Itzhak Perlman play duo sonatas (202-467 4600)
● The opening production of Washington Opera's 1993-94 season is Donizetti's Anna Bolena, starring Nelly Miricioiu. Next performances: Nov 18, 20, 23, 26, 28 (202-416 7800)
● David Zinman conducts Baltimore Symphony Orchestra at Baltimore's Joseph Meyerhoff Symphony Hall on Thurs, Fri and Sat, in a programme including Rakhmaninov's Third Piano Concerto with soloist Bruno Leonardo Gelber (410-783 8000)
● George Mason University's Center for the Arts has a jazz concert by Uptown String Quartet on Fri, and the Warsaw Philharmonic Orchestra on Sun, playing works by Mozart and Tchaikovsky (703-993 8888)

THEATRE
● Fences: August Wilson's Pulitzer Prize-winning play about a former Negro Leagues baseball player and his struggle to scale life's barriers. Opens on Thurs (Center Stage 410-332 0033)
● Dancing at Lughnasa: Brian Friel's play about five Catholic sisters in 1936 Donegal. Till Jan 2 (Arena Stage, Kreeger Theater 202-488 4377)

■ ZURICH

Tonhalle Tonight, tomorrow, Thurs: Heinz Holliger conducts Tonhalle Orchestra in works by Bach, Veress and Beethoven, with soloists including Andras Schiff. This is the first programme in a three-week series featuring Holliger and Schiff (01-261 1600)
Opernhaus Tomorrow: Cosi fan tutte. Thurs: Die Zauberflöte. Fri: Il barbiere di Siviglia. Sat: first night of Bernd Bienert's new production of Glazunov's ballet Raymonda (repeated Nov 21, 24, 26, Dec 1, 5, 16). Sun afternoon: Nello Santi conducts Jonathan Miller's production of Falstaff, with Juan Pons. Nov 23, 27: Baltsa sings Fedora (01-262 0909)

ARTS GUIDE

Monday: Berlin, New York and Paris.
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Friday: Exhibitions Guide.

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A fall-out among friends

Bronwen Maddox on Chernobyl's legacy

Andrew Testa

No entry: farmland poisoned by the Chernobyl nuclear fallout

Chernobyl's reactor number four, which caused the world's worst nuclear disaster, is tamed for the moment. The temperature in the core has cooled from some 3,000 degrees centigrade on the night of the explosion, April 26 1986, to about 100 degrees.

But the concrete sarcophagus erected hurriedly over the ruined shell is now cracking, and the red and white striped chimney is propped up with metal girders. This summer the Ukranian government called for suggestions from international companies on how to repair the crumbling structure, but believes none of the suggestions so far would contain the radiation. "The government is now inviting institutions and scientists to brainstorm a solution," says Mr Vladimir Holosha, deputy minister in the town of Chernobyl.

But patching up the sarcophagus may be the least troublesome consequence of the Chernobyl disaster. The explosion heavily contaminated much of Belarus, Ukraine and Russia with radiation; and the consequences for the local populations' health are still unknown.

Last week, a delegation from the European Commission and European Parliament spent three days in Kiev and the contaminated zone, accompanied by western cancer and radiological scientists, some of whom have been studying the effects of Chernobyl since the accident. For two years, the the European Union, which has contributed Ecu 14.2m (£11m) to 16 research projects in the region, has been attempting to help the republics prevent contamination spreading, to advise on medical treatment, and to help estimate the long term effects on health. Now many members of the team believe a critical point is near if the environmental problems are not to worsen and if the impact on health is ever to be properly assessed.

The environmental problems were brought home to the Ukrainian government earlier this year when 6,000 hectares of the highly contaminated pine forest surrounding the plant caught fire in the summer heat, sending a new cloud of radioactive dust over the region.

The immediate danger to Kiev's water supply has been alleviated by a 12km dyke built to trap and divert water from the abandoned fields north of the plant. Radioactivity in those areas from the strontium and caesium in the soil, which seeps into the water, deliver the same dose in four hours that people in the UK receive from background radiation in a year.

But the worst problem may lie in the 600 pits of waste from Chernobyl and the surrounding area buried hurriedly near the plant in the months after the explosion. Scooped out of the sandy soil, some of the pits are not lined with clay. The danger is radiation will wash down into the water table. Mr Rolf Linkohr, the official responsible to the European Parliament for overseeing the joint research programmes, says: "Today, contamination of the acquifers is not a problem, but it may be in 10 years."

The worst problem may lie in the 600 pits of waste buried near the plant after the explosion

Even harder to predict is the effect of the disaster on the population's health. The effect of radiation on the human body, particularly in damaging the cells' genetic material, may not be visible for years.

According to the western scientists with the delegation, only 42 deaths so far can definitely be attributed to Chernobyl accident. This is in sharp contrast to the Ukrainain government's claim that 8,000 people have already died because of the disaster. "We are not saying there will be no effect – just that much of the cancer we expect will not show up for years," says one member of the European group.

Scientists are agreed on one count: there has been a sharp increase in thyroid cancer in children from exposure to radioactive iodine, a disease that is normally extremely rare. A panel of experts working for the European Commission have confirmed 186 cases in Belarus between 1986 and mid-1993. Ukraine and Belarus report that three children have died. Mr Jaak Sinnaeve, head of the Commission's radiation protection research unit, says "scientific consensus is that there is a link with the accident".

However, other claims by the republics are not backed by such firm data. Part of the problem is the republics lack past health data on which to base comparisions. For instance, Belarus says it has detected an increase in hepatitis, and in breast and stomach cancers, while Ukrainian officials report "high psychological stress" among their people.

According to some of the scientists accompanying the European team, these illnesses cannot be linked to the radiation, or, in the case of increased stress, cannot be measured scientifically.

Mr Hans Storm, an epidemiologist with the Danish Cancer Society, who accompanied the visiting team, says: "Hepatitis is not linked to radiation exposure, and cancers caused by Chernobyl are not expected to show up for years." He adds that the increases in breast cancer may be real, but may be attributable to other causes.

The European delegation wants the joint research programmes to improve the quality of health and environmental data quickly so that the effects of the radiation can eventually be measured. Several scientists with the group emphasised that, if the health of the population was not accurately assessed now and the most-exposed people identified and monitored, even that modest aim may be frustrated.

"A third of people get tumours anyway. Our best guess is that there may be a 1 per cent increase in that number, or some may get cancer earlier than they would have done. We will miss that if we don't put monitoring systems in place now," one scientist said.

But some of the group have also questioned whether the republics are tempted to claim more than is scientifically justifiable to attract more western money.

One member of the group said privately: "There is a gap between what we are offering and what they want."

At the heart of the three republics' problem is that they have only recently begun to shake off a culture where scientific research was employed to meet political ends and where official statistics were mistrusted both by the population and by outside observers. Lack of comprehensive data on the population has left the region ill-equipped to estimate the environmental and health impact of the disaster; it may, too, make getting outside financial support more difficult.

Mr Storm says: "There is no question Chernobyl was a disaster. The land is closed and poisoned, maybe forever. But for the people living there, we just do not yet know how big a disaster it may be." The three republics do not need to persuade the outside world that Chernobyl was a catastrophe; they may need urgently to repair the shortcomings of their research if they are to get the help that they need.

Joe Rogaly

If the dunce's cap fits . . .

England is a nation of thickheads, dunces, ignoramuses, feather-brains, numbskulls, duffers, dimwits and knownothings. I do not, of course, refer to you or me, but to those other folk over there. Her and him and them. Where else would football hooligans breed so profusely? Who else would buy British tabloids? Who else would watch Jeremy Beadle? Who else would elect our politicians?

We know the answer. It could only be the great semi-educated, half-literate core of England. "In Germany," it was noted by a Royal Commission on Technical Instruction in a report delivered in 1884, "the dense ignorance so common among workmen in England is unknown . . ." Wait a minute. That was, er, let me see . . . 1993 take away 1884 . . . where's my calculator . . . 109 years ago. No comfort there. The story is not very much more encouraging today. Take some statistics as fresh as 1990. In that year about 68 per cent of young Germans obtained an upper secondary school qualification at age 18-plus. The comparable figure for Japan was 80 per cent, and for France 48 per cent. Hold your breath. The British score was 29 per cent.

These statistics are reproduced in a table in the report of the National Commission on Education, published yesterday. We must digress for a moment on the origin of this commission. Sir Claus Moser, born in Berlin and recently retired as warden of Wadham College, Oxford, is a distinguished statistician who has spent half a century in British public life. In 1991, as president of the British Association for the Advancement of Science, he called for a royal commission of inquiry into the lamentable state of education and training. The government turned his idea down flat.

Undeterred, Sir Claus encouraged the British Association to set up its own study. The British Academy, the Royal Society, and the Royal Academy of Engineering lent support. The Paul Hamlyn Foundation picked up the tab. In consequence, the privatisation of royal commissions may have been established. A fresh source of material for British political debate has been opened up. Mr David Sainsbury and other creators of cash-rich foundations will doubtless be presented with ingenious new ways of spending their money. The lesson is well-learned from the Fords, Rockefellers and other American benefactors.

If John Patten, the education secretary, opposes something, we can be sure that it is an excellent suggestion

That is a fringe benefit. We must all be grateful to Sir Claus and the names in his contact-book for the report itself. Published as a paperback by Heinemann at £4.99 it is serious stuff. It presents a convincing case for shifting another billion or three into education, on the ground that the present level of expenditure, even allowing for the improvements implicit in the government's reforms, is not adequate in a global market in which competitive advantage will accrue to the countries with the best-educated workforce.

Before anyone has apoplexy, let me dispose of those few billions. The report suggests that the extra spending might be phased in, reaching a rate of £3.2bn a year by the year 2000. About a quarter of it would finance pre-primary schools, making Britain, which offers publicly-funded places to less than half its toddlers, competitive with France and Belgium (95 per cent), Denmark (85 per cent) and Germany (77 per cent). Most of the rest would go into primary schools. The commission suggests "improved efficiency" savings of £500m and the payment by students and private patrons of £1.3bn towards higher education. Net addition to public spending at the end of the century: £1.4bn.

Impossible, says the education secretary, Mr John Patten. That is helpful. If Mr Patten opposes something, we can be sure that it is an excellent suggestion. His principal achievement since joining the cabinet in April 1992 has been to stop the reform of education in its tracks. He managed this all alone. The prime minister, in a tightish spot himself, is keeping Mr Patten on a while to see if he can preside over the undoing of the damage. If he fails, it will make nonsense of the government's protestations that rigorous education is one of the basics it intends to get back to.

Let me say at once that, as the Moser commission acknowledges, the reform process initiated by the Conservatives two years before they booted out Lady Thatcher is the most encouraging event in Britain's educational history since the Butler education act of 1944. More structured teaching, a national curriculum and regular testing are all necessary components of any sustained effort to improve British state education. It has always been evident that this is a quiet revolution which will not have completed its task for a generation.

Alas, the reforms have become bogged down by Mr Patten's pride, the consequent recalcitrance of the teaching unions, the Treasury's unwillingness to finance change, and the Conservatives' obsession with their campaign to obliterate local authorities. The process will surely recover from all of these ailments. The logic of Mr John Major's focus on education reform should see to that. What the government should now take on board is the extra push, the freshly radical look, that the Sir Claus's report provides.

The money, even in the febrile atmosphere of a £50bn budget deficit, is a bagatelle. A few miles a year off the roads programme would take care of it. That way, less of England would be paved over, and more English minds would be opened. Anyhow, there are many sensible suggestions that would cost little or nothing. One is the proposed merger of education and training at all levels of government, starting at the top and reaching down to local education and training boards. Another is a broader school-leaving qualification, to replace A-levels, which are too academically-focussed. The new General Education Diploma would recognise vocational achievements. Teachers should be graduates, professionally-trained, and, in due course, properly paid.

The report is not only about education for employment. It addresses the breakdown in society, the "family" and "crime" and "inner city" matters about which there has been so much Tory hand-wringing in recent weeks. Its proposals go to the heart of these problems. Watch our politicians for a few days. Mark as dummkopf any who ignore the thrust of the National Commission's report.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Tax switch would undermine pensions

From Mr Ron Amy.

Sir, For the past two years, since £400m disappeared from the Maxwell pension funds, the pensions industry has not wavered in its pursuit of restoring confidence, stability and security.

We were dismayed by the £10bn of actuarial asset value which was stripped from pension funds in the last budget and which is now costing British companies and pensioners £500m a year. And now, John Maples (Personal View, November 12) suggests that the government goes further and takes £100bn from Britain's pension funds – the equivalent of 250 Maxwell scandals.

He says the government should tax pension contributions instead of payments. But could we trust future governments to resist the temptation to reintroduce tax on pensions payments – ultimately bringing a higher tax yield? Like the Maxwell pensioners, millions of people would have no guarantee that their pension would not be hit when they retired.

Mr Maples suggests that there would be no public outcry. Even if the government did not go anywhere near as far as he recommends, there is clear evidence that there would be an angry reaction from pensioners and pension scheme members – as there was with Maxwell.

Taxing pension fund contributions, rather than pensions, is an idea which has, in the past, been rejected out of hand.

With more need for private provision as state pensions decline in real terms, the government should not be undermining the efforts that individuals are making in order to provide for their retirement by seeking to raise further revenue from pension funds.

Ron Amy,
chairman,
National Association of Pension Funds,
12-18 Grosvenor Gardens,
London SW1W 0DA

Small is not best council structure

From Ms Janet Jones.

Sir, Margaret Singh's claim (Letters, November 5) that the Association of District Councils does not wish to squabble with counties will cause a hollow laugh in county councils which have watched the Association of District Councils and its member authorities do little else for the last six years in their sordid campaign to abolish county councils. So will her claim that the districts' prime concern is with the provision of quality services.

I remind Margaret Singh that Labour party support for unitary authorities is linked to the establishment of regional government. The two go together. Since the last thing Mr David Curry, the local government minister, will give us is regional government, the last thing we need is the small unitary councils advocated by the ADC. What is needed is a local government structure capable of the strategic planning and effective delivery of key services. That is what county councils do well.

Whatever political parties may propose, there is no evidence that the British public has any enthusiasm for changing local government structures or for paying the inevitably large bills this entails. Quite the opposite. People are more concerned to have good and responsive services provided at the lowest possible cost. If the ADC is serious about promoting better services it should set aside its obsessions with reorganisation and encourage its member authorities to get on with the job for which they have been established and democratically elected – and in which they will continue to find county councils willing partners.

Janet Jones,
leader, Labour Group,
Cambridgeshire County Council,
Shire Hall, Castle Hill,
Cambridgeshire CB3 0AP

A better vision of Europe

From Lord Haskel.

Sir, I am sure that many of your readers shared my surprise at the hysterical tone of Mr Alan Sugar's attack on Mr John Smith after his statement at the Congress of European Socialists (Letters, November 10). Mr Sugar was obviously outraged that there should be any view on unemployment in the European Union other than one which relates to his narrow personal business interests. Certainly the views of Mr Sugar may prop up his share price but the cost is paid by us all at the thousands of Social Services Offices throughout Europe where the the debris of unemployment is picked up.

Thankfully there are people like Mr Smith and his colleagues who have more vision. They take the wider view that during this recession all of us in the European Union should act together and make sacrifices to try to preserve jobs because this is less wasteful of the investment in equipment and training which has gone into those jobs. It also causes less human misery. They hope that these jobs will flourish after the recession and, indeed, have proposals for a fund to help their plan succeed.

This broader vision deserves serious consideration and will get it from the majority of people who work in industry – perhaps even from some of Mr Sugar's employees.

Lord Haskel,
chairman,
Labour finance and industry group,
House of Lords,
Westminster

Well able to adjust

From Mr P J Robinson.

Sir, In "A bureaucratic legacy" (November 5), the authors assert that the growth in building society staff numbers between 1989 and the present day is a result of those societies' inability to adjust their management structures and bureaucratic practices, better to reflect the current business environment.

This view is two-dimensional at best. It takes no account of diversification into related financial activities or growth, both organic and by merger.

For my own society, the four years between 1989 and 1992 have seen substantial changes. No fewer than seven subsidiary companies, spanning life assurance to unit trusts and French mortgages to savings in the Channel Islands, have been established. In addition, the society has undertaken an important merger and has seen assets increase by 54 per cent.

Taken overall, rationalisation following the merger has resulted in a reduction of staff numbers in real terms, illustrated by a 46 per cent increase in assets per head.

P J Robinson,
managing director,
Woolwich Building Society,
Watling Street,
Bexley Heath,
Kent DA6 7RR

Both values must be explained

From Mr M F Creamer.

Sir, The initiative of Clive Lewis, president of the Royal Institution of Chartered Surveyors, in establishing a review of valuation procedures is laudable (Letters, November 10).

The Queens Moat valuation controversy is, however, current and should not await the outcome of Michael Mallinson's review. I would urge Clive Lewis to ensure that the assets valuation standards committee fully reviews both Queens Moat valuations and that its report carries a clear explanation of the differences and is made public.

If this does not occur then the surveying profession will lose credibility in the business environment where it is striving to obtain better recognition.

M F Creamer,
Hillier Parker May & Rowden,
77 Grosvenor Street,
London W1A 2BT

Local authorities risk prejudging Tupe issue

From Mr Tony Baldry MP.

Sir, Your article "Rule clash may force tendering change" (November 12) contains several factual errors that unless corrected are bound to mislead.

There is no conflict between the transfer of undertakings regulations (Tupe) and the EC Procurement Directives. Certainly, councils prejudging the Tupe issue risk breaching those directives, which require fair competition between contractors in different member states. Authorities cannot insist that a contractor employs existing staff.

It is not for local authorities to dictate in advance whether Tupe applies when they put their services out to tender. This will depend on the contractor's proposals. Most local authorities are taking the proper approach, allowing contractors bidding for local government work to put forward their own ideas about the best way of carrying it out.

In March, the government issued guidance stating that the way the work is to be done would determine whether the Tupe regulations would apply. Therefore, it is not possible to decide whether Tupe applies until the contractors' proposals are seen. We have issued further guidance to councils about this: if they prejudge the issue, and restrict the range of proposals they are prepared to entertain, I will not hesitate to use the powers available to me in law to take action against them.

Tony Baldry,
Department of the Environment,
2 Marsham Street,
London SW1P 3EB

FINANCIAL TIMES

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Tuesday November 16 1993

Mr Delors in absentia

THE ANNUAL conference of the Confederation of British Industry provides a curious snapshot of British attitudes to Europe. Ostensibly, all is now sweetness and light between the CBI and the UK government. Last week's squabble over the CBI director general's alleged criticism of the government has been ostentatiously forgotten. Each side loads the other with compliments and assurances of unanimity. Both are united in criticism of Mr Jacques Delors, whose speech to the conference, delivered by proxy from his sick bed yesterday, was the only jarring note in the universal harmony.

But Mr Delors' speech slyly inserted the wedge: complimenting the CBI on its enlightened stance to Europe, and welcoming Mr Davies's remarks of last week. In his original text, Mr Delors also referred to the "dangerous forces" and "unscrupulous individuals" out to block European integration. Shorn of invective, this was a reminder that there are real divisions within both the British industrial community and government. The CBI's leaders cannot hope to represent all the industrial rank and file, and pro-European ministers like Mr Clarke and Mr Heseltine, both speakers at the conference, certainly do not represent the whole cabinet.

But the British camp is probably united in repudiating the imposition of additional social costs on business. As it happens, this formed the most interesting part of Mr Delors' speech, particularly in the light of the Commission's forthcoming white paper on European competitiveness. The CBI president and the chancellor reserved their greatest contempt yesterday for the notion that in the depths of recession and after a decade of underperformance, European industry should be loaded with shorter working hours, longer paternity leave and so forth – "the economics of the madhouse", as Mr Clarke put it.

But there is one point in Mr Delors' favour. Implicitly, he is saying what many European business leaders are starting to say for themselves: that if the price of industrial success is the creation of a marginalised class, the fruits of that success will not be either enjoyable or sustainable.

Mr Delors' error, which it must be hoped he will avoid in his forthcoming white paper, has been to place too much emphasis upon mechanisms of social protection, high non-wage costs, restrictions on working time and minimum wages, which merely exacerbate the forces of marginalisation.

But he is right that European business will not escape from its current malaise merely by cutting costs. That will take a better-trained workforce, more productive research and development and a more developed infrastructure. Above all, it will take economic recovery.

It is to be hoped that Mr Delors' white paper recognises the blind alleys down which much EU social policy has led. If it does, business in Britain and in the rest of the European Union will respond.

China shuffles on

IT IS tempting to interpret the result of this weekend's secret Central Committee meeting as a victory for reform. The commitment by the Chinese communist party's senior policy-making body to deepen market-based reforms, and continue to build the "socialist market economy" which Deng Xiaoping began 15 years ago, should guarantee that the 89-year-old elder statesman will leave a lasting legacy. Meanwhile, vice-premier and central bank governor Zhu Rongji appears successfully to have traded an easing of monetary policy for a commitment to implement his reforms.

But appearances can deceive. Even if a conservative leader were to emerge from the inevitable struggle that will follow Mr Deng's death, there is little prospect of a return to a planned economy. But the outcome of the weekend plenum does not suggest that the next round of reforms is assured.

The communique, which emerged late Sunday night, was disappointingly bland. It promised "a programme of action to restructure the economy in the 1990s", including commercialisation of the state enterprises and rationalisation of the financial system. But the promised 50-article manifesto, detailing these reforms, was conspicuous by its absence.

How will China commercialise a state enterprise sector, at least a third of which is loss-making, without the widespread bankruptcies that officials reject? How, without the end of subsidies to these enterprises, can the banking sector run along commercial lines or the central bank run a market-based monetary policy? Or will the subsidies be paid through the budget, in which case how does Beijing propose to raise taxes from unwilling provinces? Only if China's communist party can provide detailed answers to these and other questions will the commitment to further reforms be more than just words.

The reality is that woolly commitments from public or party officials to market-based reforms, or economic liberalisation, are two-a-penny in today's China. What has been lacking, and remains so if the communique reflects the consensus view, is a willingness by central and regional officials to allow enterprises to go bankrupt, to accept that richer provinces must pay higher taxes, and to obey central bank directives.

Of course, the communique does not reflect a consensus but, instead, a failure to agree. Not only are the next steps difficult, but the need to agree to take them comes at a time when state enterprises and local officials are complaining bitterly about the painful consequences of the government's stabilisation measures. It was to soften these blows that Mr Zhu risked easing the credit squeeze too early. But the *quid pro quo* from provincial leaders must be an agreement now to implement reforms which will prevent another boom-bust cycle. They have yet to deliver.

Whitehall farce

THE GOVERNMENT'S drive to shake up the UK civil service appears to be losing momentum, with numbers of civil servants again rising. Productivity increases have allowed similar organisations in the private sector to shed staff despite increasing workloads. Yet the number of white-collar civil servants has not fallen in 10 years.

Market-testing was supposed to expose the civil service to competitive pressure by putting central government work out to tender. The programme has fallen woefully behind schedule, with less than half the target for the first 18 months completed on time. Savings have been much lower than the 25 per cent predicted at the outset. Contractors have complained that the tendering process favours in-house teams and discourages innovative bids which would bring greater savings.

Measures to open the top ranks of civil servants to outsiders have also stalled. A Cabinet Office efficiency unit report recommended that all senior jobs should be advertised. This encountered stiff opposition from the permanent secretaries who make the appointments. It has been rewritten to preserve the present system.

The treatment of Whitehall is in sharp contrast to that meted out to local government and the health service. They are forced to contract out much of their work under rigorous rules designed to discourage anti-competitive practices. Top jobs in both local government and the health service are almost invariably advertised and filled by open competition. Different rules appear to apply to the civil servants who drafted the rules for town halls and health authorities.

Progress on reforms has been obstructed by top civil servants, according to Sir Peter Kemp who managed the reform process until he was sacked last year. He recommends the stimulus of a 25 per cent cut in the staffing of core government departments. This would remove some 30,000 posts in recognition that the bulk of civil service work has shifted to executive agencies. Such staffing targets are crude but effective: they enabled Mrs Thatcher to cut more than 100,000 civil service posts between 1979 and 1984. It is hard to avoid the conclusion that the only way of forcing Whitehall to improve its efficiency is to impose new targets in the future.

As for open advertising of top posts, the present secretive system cannot be allowed to survive. All public jobs should be publicly advertised unless there is an overriding reason for not so doing. As in business, many – perhaps most – would go to insiders. But new blood would be brought in and the divide between public and private sector would be narrowed.

Finally, Sir Peter's suggestion that a high-profile individual reporting direct to the prime minister be made responsible for civil service reform should be implemented. Reform under the present system seems hopeless. It is time for a new approach.

Confidence may do the trick

Has the German economy hit bottom and will the recovery arrive next year? Quentin Peel looks at the uncertainties

Germany's so-called five wise men, the government's council of independent economic advisers, are not providing much good cheer for the coming Christmas season.

Zero growth in west Germany next year is about the best they can offer, and even then they are not quite convinced that the worst is over. Last year they forecast zero growth for 1993, and the outcome was a sharp decline of minus 2 per cent, so they do not want to make the same mistake again.

They are slightly more hopeful for east Germany, predicting a continued recovery of 7.5 per cent in gross domestic product, compared with 6.5 per cent this year, but even that is from a desperately low economic base. The downturn in the west has undoubtedly slowed the entire investment drive in the east.

An increase in unemployment from 3.5m today to 4.02m next year is decidedly grim tidings for the German workforce, already seeing their real wages and traditional fringe benefits withering under the cold blast of recession.

It is not good news for the German government, facing a mammoth re-election year in 1994, with no fewer than 19 national, state, and European polls in the offing. Chancellor Helmut Kohl is in need of a few green shoots of recovery to bolster his re-election chances next October.

The five wise men are certainly more pessimistic than five of the six leading German economic institutes, which less than a month ago forecast a west German economic recovery next year to the tune of modest 1 per cent growth. They are slightly more optimistic than the Keynesian economists at Berlin's Deutsches Institut für Wirtschaftsforschung (DIW), who fear a further downturn of 0.5 per cent in 1994.

They are also decidedly more pessimistic than the Frankfurt stock exchange, where the DAX index of 30 leading shares has shot through the 2,000 mark in recent weeks, from 1,545 at the start of the year.

On the other hand, the forecasts of the five wise men are closely in line with those of the business and industrial community itself. The German association of chambers of commerce and industry (DIHT) recently said there was no sign of recovery, even if the downturn had slowed. Mr Franz Schoser, chief executive of the DIHT, backed the DIW in its forecast of minus 0.5 per cent for next year. He said there were simply "signs of stabilisation at a low level".

So who has got it right, and when will the turnround come? Has the sharpest downturn in the German economy since the post-war economic miracle hit bottom, or is there a real danger of a double-dip recession, or at least, a prolonged period of stagnation?

The wise men – five leading economists from Germany's universities and economic institutes, headed by Professor Herbert Hax, of the Institut für Mittelstandsforschung, the small business research institute in Bonn – are certainly erring on the side of caution. Will there be an economic recovery in 1994? "We cannot answer the question at the present time with adequate assurance, either yes or no," they say. "We see chances of turning the corner, but whether they will be realised in the near future is highly uncertain."

That is scarcely helpful to the government or the other economic analysts. And yet there is perhaps reason in their indecision, and method in their pessimism. For they are clearly convinced that their repeated words of warning in recent years to all levels of government in Germany – the federal government in Bonn, the 16 state governments, and all the local authorities – on the need for drastic control of public spending, continue to fall on deaf ears.

First they set out what went wrong in 1993. A year of stagnation in 1992 was clearly not enough to cool down the overheating in the economy which coincided with German unification: public money was poured into east Germany to revive the collapsed economy, and wage deals were pushed up far beyond the rise in productivity, both in the east and the west.

Capacity utilisation in west German industry in 1991 was higher than in any year since 1970. When pressure began to ease in 1992, demand fell and spare capacity became available, inflation remained stubbornly high. The German Bundesbank was determined to abide by its counter-inflationary duty, and pushed up short-term interest rates to almost 10 per cent.

The trouble was that the downturn in the German economy coincided with a continued decline in German exports – partly a reflection of the sluggish world economy (and the sluggish European economy held hostage not least by the high German interest rates), and partly a result of falling German competitiveness. Hopes for an export-led revival evaporated.

Foreign sales were not helped by the effective revaluation of the D-Mark, particularly in western Europe. In 1993 there was a 12 per cent drop in exports, with Germany's traditional sales of investment goods particularly hard hit.

The wise men are not prepared to blame the Bundesbank for its tight monetary policy. Rather, they pin the blame first on the trade unions, for excessive wage demands, and above all, on the political establishment, for failing to bring spending under control, to cope with the unique challenge of unification.

It was the failure of the politicians, they believe, to give clear signals on controlling government spending, which particularly undermined the confidence of both industry and consumers.

The public sector deficit in the current year they estimate at DM160bn, including central, state and local governments, and including borrowing for the German unity fund, but excluding the Treuhand privatisation agency.

"On the one hand, the high level of public sector deficits will have helped stimulate demand, although a large part of the DM160bn deficit was merely making up for recession-related declines in revenues, and therefore cannot be seen as an active expansionary measure," they say.

The wise men blame the trade unions, for excessive wage demands, and above all the political establishment

"On the other hand, and it seems far more important, the increasingly swollen budget deficits contributed to the general insecurity about the economic perspectives . . . which contributed to the restraint of both investors and consumers, and therefore aggravated the recession."

The professors remain profoundly sceptical about the government's much-trumpeted success this year in agreeing first on a "federal consolidation programme", and second on a modest savings package – above all focused on cuts in social benefits – in bringing public spending under lasting control.

Some private sector analysts believe the wise men have erred on the side of pessimism, precisely in order to hammer home their policy prescriptions to the government.

"I am surprised to see the council take quite such a cautious view on what will happen next year," says Mr Thomas Mayer, senior economist at Goldman Sachs in Frankfurt. "The latest data actually indicate that the economy is not doing too badly. So the council must assume that there will be renewed weakness.

"They have a rather pessimistic view on government deficits over and above what the government is prepared to acknowledge. Perhaps they feel that if there are doubts, it is better to err on the side of pessimism to get the message across to the policy makers, that adjustment really has to be made now.

Again and again, the wise men stress the need for a "convincing" course of budget cuts, and the link between a reliable public sector spending programme, and confidence in the private sector.

They gave the government more support for its efforts to promote greater deregulation, and more privatisation, as part of its campaign to make Germany more competitive. But they still think present proposals do not go far enough.

The debate on shop opening-hours is a case in point. The restrictive legislation enforcing early evening and weekend closing should be liberalised, the wise men believe, but there are already signs that Chancellor Kohl is going back on the liberalising plans of his government colleagues.

•As for privatisation, the greatest potential is at the level of the states and local government. Yet they have done practically nothing to privatise the properties and services they control. As for the privatisation of Deutsche Telekom, the telecommunications company, the wise men warn that the plan to maintain a state holding company could undermine the whole venture. "In that way Telekom could see itself subordinated to political influences which will collide head on with its private-sector goals," they say.

Their other main theme is the crisis in the labour market. They admit that there is a clear increase in the incidence of long-term, structural unemployment within the overall recession-related rise in joblessness. But they are decidedly sceptical about the new trade union panacea of introducing shorter working hours, even a four-day working week, to tackle joblessness.

"Shorter working hours are certainly not any general recipe to cure unemployment," Professor Hax said yesterday. "They will simply lead to further cost increases if there is no comparable cut in incomes."

Rather, he said, the present system of industry-wide wage agreements must be opened to "individual enterprise solutions".

Professor Juergen Donges of Cologne University, one of the wise men, dismissed the argument that "there is not enough work to go round, and therefore it must be more fairly divided. The truth is work is not short. Work is in short supply at the current wage rates," he said. "We must make sure that we do not price ourselves out of the world markets."

The truth is that the five wise men are again proposing familiar prescriptions to familiar problems. They say in effect that Germany has for too long been living beyond its means.

Cost-cutting and deregulation in the public sector, as in the private, is the main prescription. But there is a clear feeling that the private sector has done far more than government to put its house in order.

All agree that it is crucial to revive private sector investment, which saw a dramatic slump this year – down by no less than 15.5 per cent as far as investment in plant and equipment is concerned. The wise men fear that it will still decline by a further 2 per cent in the coming year, and government policy must focus on turning it round.

One proposal they make is for a clear programme of corporate tax reform to be put in hand immediately, even if real tax cuts are only realistic once the economy has recovered – possibly not before 1997. Mr Theo Waigel, the finance minister, seized upon the idea yesterday and promised proposals before next year's elections.

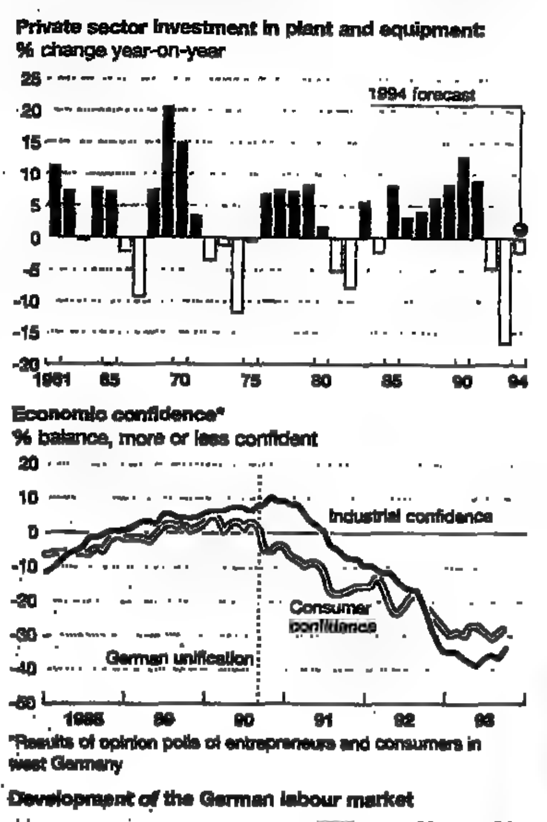
Yet it is uncertainty about what will revive the confidence of the private sector which is at the heart of the differences between the forecasters over the speed and timing of the German economic recovery.

The pessimists at the DIW, and in the opposition Social Democratic Party (SPD) are convinced that an upswing must be primed by a public spending programme, even if that means a short-term increase in the deficit. Mr Rudolf Scharping, the SPD leader, has called for a revival of "concerted action" between industry, labour, government and opposition, to draw up a common approach.

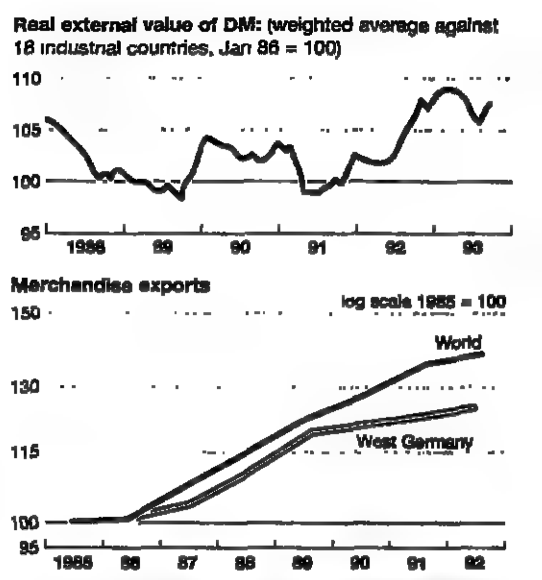
The trouble is, it is almost certainly politically too late for such co-operation. For the elections are almost here – the first local poll is in Brandenburg next month, followed by Lower Saxony next March – and economic consensus looks likely to be the first casualty.

That means the private sector will have to rediscover its confidence on its own, and even the wise men do not know when that will be.

German economy: on the cusp?



*Results of opinion polls of entrepreneurs and consumers in west Germany



Development of the German labour market

	1992	93	94
Economically active (m)	38.8	38.5	30.4
Registered unemployed (m)	3.0	3.4	4.0
Unemployment rate (%)	7.7	9.0	10.3
Disguised unemployment (000s)			
Workers on job creation schemes	466	307	370
Full-time training	798	699	670
Early retirement	850	874	625

Source: Council of economic advisers

Chancellor Helmut Kohl

OBSERVER

Softly, softly

■ Jacques Delors' failure to turn up at the CBI conference in Harrogate inevitably led to a suspicion that he had been struck down by a diplomatic illness. Better to make himself scarce than risk further jeopardising an already shaky reputation in Britain by being drawn into a row between the CBI and the government over Europe.

But such speculation was wide of the mark. The European Commission president really did have the flu and it was up to his secretary-general David Williamson, once a polished British civil servant, now an equally polished Eurocrat, to deliver Delors' message.

The script was strictly followed until Williamson reached the bit where Delors sounded his version of Harold Wilson's reds under the bed scare – the accusation that there were political scavengers eating away at the distressed heart of Europe.

Hence the "unscrupulous individuals and groups" of Delors became the "some less than scrupulous" individuals of Williamson. And the "dangerous forces" which Delors had at work became less menacing with the thought that "some forces may be at work".

Who these forces are is less than clear beyond the fact that they must disagree with Delors. Williamson certainly would not elaborate on the plot, but then he is an Englishman and has a different notion of the sinister from Delors. Certainly he was careful to tell the CBI that he is not a Frenchman, not a French intellectual and not a Catholic.

Man of destiny

■ Given that the cost of the Channel Tunnel, Britain's biggest-ever private sector project, has overrun by more than 60 per cent and the opening date has already been put back twice, Sir Alastair Morton, chairman of Eurotunnel, may seem an odd choice to head up the new government working committee on private finance.

Sir Alastair freely admits that if Eurotunnel were to start again in building the Channel Tunnel it would do so from a different premise. Indeed, he says it is precisely because he has learnt a lot of lessons of what not to do that he argues he is so well suited to take on his latest job promoting private finance in public sector projects. Full marks for honesty.

What a Payne

■ Isn't Sedgwick sounding a mite defensive about the composition of the board of its CLM Insurance Fund? "This is without any reservation the best board of any of the [19]" corporate capital vehicles investing in Lloyd's, the insurance broking group boasted when Observer rang up.

'Our sponsorship fell through'

To be sure, Joe Palmer, the new PIA chairman, Cadbury committee member Jonathan Charkham, Lord Rees, chairman of Lasmo et al are all fine fellows. The only trouble with also adding Sedgwick vice chairman Jim Payne to the list is that these days is that his presence necessitates a 200-word foot note to the CLM prospectus explaining that Payne, who had been deputy chairman of reinsurance brokers Bland Payne, was criticised in the DTI report into the affairs of the collapsed London United Investments.

Off-balance

■ Hilmar Kopper, boss of Deutsche Bank, does not miss a trick. Like any other sensible banker, he is mindful of the topsy-like growth of those clever-clever instruments such as yield curve swaps, look-back options and forward rate agreements, lumped under the catch-all name of derivatives. Hence, quizzed recently as to whether he had yet thought of a nickname for the Trianon tower, the bank's third skyscraper in Frankfurt opened earlier this month, Kopper hesitated not a moment. Given that the new-comer is taller than the existing pair, dubbed "Soll und Haben" (assets and liabilities), why not call it "derivatives"?

Scottish peeper

■ Scottish secretary Ian Lang, who launched his department's first annual report yesterday, must try harder. The volume on the Scottish Office is intended to remind the Scots how much administration is devolved to Scotland.

But the numbers are disappointing, consisting only of expenditure figures. Since governments, unlike companies, make great public play of their budgets it would have been nice to know what St Andrew's House had intended to spend. All Lang would say about that is that "We wanted to compare like with like".

Family business

■ It's not often that a City gent gets to be *in* a world première as opposed to *at* one. However, tonight sees the debut of Chris Chapman, managing director of discount house Seccombe, Marshall & Campion, in a new musical about Jane Eyre which is being presented at The Royal Naval School, Haslemere. Chapman plays the wicked parson, Mr Brocklehurst, in a cast which includes his wife and two daughters. Kitting him out has not been a problem. Not only is Chapman's father a Suffolk clergyman but Chapman also gets a chance to wear his City top hat, the hallmark of a billbroker, for a change, without feeling silly.

Anybody there?

■ A call to GCHQ, the British government's multi-million pound nerve-centre equipped with every state of the art gizmo for listening into the mass of telephone traffic buzzing in and out of the UK, elicited an apologetic response from the duty officer. "I'm sorry," he said, explaining why an earlier call had not been answered, "Our man was trying to get back to you but his phone wouldn't work."

FINANCIAL TIMES
Tuesday November 16 1993

Federal Reserve reports sharp rise in factory output led by vehicle production

US economic growth gains pace

By Michael Prowse in Washington

US factory output rose a sharp 0.8 per cent in October, providing further evidence of the accelerating pace of US economic growth.

In its most buoyant assessment of industrial trends since late last year, the Federal Reserve yesterday also said output rose 4.4 per cent in the year to October, and revised figures for September to show a gain of 0.4 per cent rather than 0.2 per cent as initially reported.

Output was boosted by a vigorous rebound in production of motor vehicles and parts, which rose 3.9 per cent in September and 7.3 per cent in October after four months of stagnation.

The rise in overall production – the largest since November last year – exceeded Wall Street forecasts but prompted little movement in share prices as investors awaited tomorrow's congressional vote on the North American Free Trade Agreement.

The Fed also reported a sharp rise in the rate of industrial capacity utilisation to 82.4 per cent, the highest rate since the peak of the previous business cycle in mid-1990. Capacity utilisation is now 0.5 percentage points higher than its long-run average, which is one reason why some investors fear upward pressure on inflation.

"The figures are consistent with economic growth at an annual rate of 4 per cent in the current quarter," said Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh.

However, growth was likely to decelerate early next year because "job growth was not sufficient to support the current very strong growth of consumer spending". The sustainable annual pace of growth was only 2.5-2.75 per cent, he said.

The surge in vehicle production also partly reflects a rebound at General Motors, the largest US car company, after production was depressed by disputes with parts suppliers.

Excluding vehicles industrial production rose 0.4 per cent last month and 0.3 per cent in September. Production of durable goods generally was strong, reflecting falls in long-term interest rates. Production of consumer durables other than cars rose 1.3 per cent last month; production of information-processing equipment was up 0.9 per cent.

Major offers talks with Sinn Féin if IRA lays down arms

By Kevin Brown, Political Correspondent, in London

MR JOHN MAJOR, the UK prime minister, acted to break the Northern Ireland deadlock yesterday by issuing the first explicit offer to negotiate with Sinn Féin if the IRA lays down its arms.

Mr Major told the Lord Mayor's banquet in the City of London that "there may now be a better opportunity for peace in Northern Ireland than for many years".

He ruled out secret deals with terrorists, and insisted that the government would "never" talk to organisations which declined to renounce violence.

"But if the IRA ends violence for good then, after a sufficient interval to ensure the permanence of their intent – Sinn Féin can enter the political arena as a democratic party and join the dialogue on the way ahead."

In his most optimistic appraisal yet of the prospects for Northern Ireland, Mr Major said there was a "burning desire on each side of the community for peace".

He said the Irish government had shown "a new understanding of the rights and concerns of unionists," and most of the constitutional parties in Northern Ireland were "purposefully" engaged in talks about a settlement.

All the parties accepted that flexibility was needed, and that "cherished positions" would have to be modified. "These elements present the opportunity we are determined to pursue," he said.

Downing Street said the prime minister's words were intended as an "explicit" demonstration that the government was "very serious" about the peace process.

"Northern Ireland is something which the prime minister intends to keep on the front burner," a senior official said.

The speech also confirms that the UK government is prepared to press ahead without the participation of the hardline Democratic Unionist party, led by the Rev Ian Paisley, which has said it will "never" talk to Sinn Féin, even after a cessation of IRA violence.

The possibility that the British and Irish governments might be willing to talk to Sinn Féin was first raised in a joint declaration in Brussels last month by Mr Major and Mr Albert Reynolds, the Irish prime minister.

However, Downing Street said Mr Major's declaration last night clarified the government's position. "It has never been explicit, as it is here," said a senior official.

The government dismissed reports in Northern Ireland newspapers that the government had held recent talks on a ceasefire with Sinn Féin or IRA leaders.

Clarke and Heseltine warn critics of Europe

By Tony Jackson, Roland Rudd and Paul Cheeseright in London

BRITISH government ministers fought yesterday to preserve the ruling Conservative party's pro-European credentials in the face of recent strong criticism from industry.

Mr Michael Heseltine, trade and industry secretary, warned anti-European elements in the party against alienating Britain's main business allies with insults.

"We will serve ourselves not at all if the language with which we describe our continental partners, the imagery in which we paint them and the insularity with which we attempt to rewrite the history of the past 40 years has the effect of alienating ourselves and our self-interest from the very people upon whom we are most dependent," he told the Confederation of British Industry's annual conference.

Mr Kenneth Clarke, chancellor of the exchequer, said he continued to support economic and monetary union, though without adhering to artificial timetables.

Before his speech to the CBI, he said "the next thing we should pursue is economic convergence. That will in itself produce greater exchange rate stability."

The remarks by the two ministers were seen as an attempt by the left of the Conservative party to regain ground lost at the party conference. Speeches by ministers such as Mr Peter Lilley, social security secretary, and other right wing ministers had drawn applause for their attacks on the European Commission.

Mr Heseltine said the issue of a single European currency was one of timing. "The British government has negotiated a position in which it can make up its mind. What will happen is that either the economies of Europe will converge, or they won't. If they do, they will either converge on the D-Mark as the dominant currency or there will be an institutionalised currency which the Europeans will decide to put in place of the D-Mark."

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Frozen silence of a nuclear wasteland

Continued from Page 1

Ukrainian government has allowed a handful of people to return to their homes, but only because they are too old for radiation-induced cancer – which takes years to develop – to shorten their lives.

It is from the air that the true extent of the desolation becomes clear. The fairground wheel in Pripyat, the model town built to house Chernobyl's staff, is lashed down and the seats covered with yellow wraps. The furrows in the abandoned corn fields are blurring as the scrub takes over.

Then there is the debris, contaminated beyond recovery. More than 100 ships of all sizes lie anchored and abandoned along the banks of the Pripyat river. One large field looks like a drawer of children's toys tipped over: a heap of brightly coloured tractors, police cars, buses, fire engines and cranes with rust marks just starting to show. In the next field, the huge grey helicopters which dropped sand on the reactor's blazing core are parked forever, blades drooping nearly to the ground.

The most contaminated waste is buried in more than 600 dump sites dug hurriedly after the disaster. The 10-foot high mounds over the waste look from the air like the burial places of an ancient civilisation.Meanwhile, facing acute power shortages, the cash-strapped Ukrainian government last month reversed its earlier decision to close Chernobyl's remaining reactors.

Probe ordered into New Jersey election

Continued from Page 1

had been disbursed on election day in what is known as "street money" to poll watchers and others working to get out the vote.

Mrs Whitman herself spent part of Sunday visiting black churches. Although she spoke at none of them, her attendance was obviously designed to make amends.

She beat Mr Florio by about 30,000 votes in a total turnout of around 2.5m, the second-closest governor's race in New Jersey history. The black component amounted to about 8 per cent of the vote, down from the 12 per cent at the 1989 election – a decline in numerical terms far greater than her margin of victory, given the usually overwhelming black preference for Democratic candidates.

Mr Rollins, meanwhile, is in seclusion, with several lucrative TV contracts summarily withdrawn. Just 10 days ago this veteran Republican political consultant, who briefly defected to Mr Ross Perot's independent presidential candidacy last year, appeared thoroughly rehabilitated.

In directing Mrs Whitman's victory he had beaten Mr James Carville, the respected Democrat campaign manager.

THE LEX COLUMN

BA above the clouds

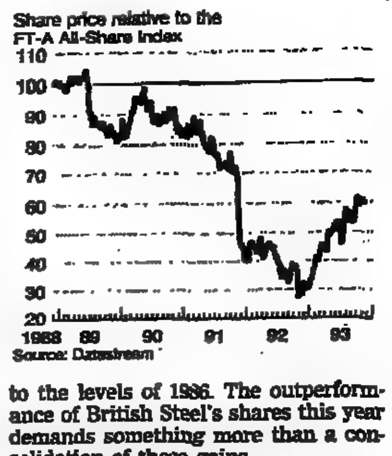
The clouds are beginning to part for British Airways, which is just as well, considering the recent surge in its share price. The carrier's half-year figures confirmed several encouraging trends, with a 2 per cent rise in premium traffic being the most comforting. The global balance of supply and demand appears to be returning to some semblance of sanity. BA, too, is moving back towards equilibrium. After increasing capacity by 13 per cent this year, BA will add just 4 per cent next, making it easier to fill seats and raise prices as traffic recovers.

Some dark clouds remain on BA's horizon, however, notably surrounding its stakes in associated airlines. BA's investment in TAT is currently looking none too clever. Between them TAT and Deutsche BA lost some £32m in the first half. Remedial action is promised. But any aggressive cost-cutting at TAT may prove politically difficult after the Air France fiasco. Meanwhile, Lufthansa can only emerge as a more formidable competitor as it trundles towards privatisation. With its investments in USAir and Qantas yet to prove their worth, BA's globalisation thrust remains a high-risk strategy with no guarantee of financial return.

Investors lacking the head for such dizzy heights may prefer BAA, which reports today. BAA's operational gearing may not be as high as BA's and its shares are relatively dearer. But comfort can be drawn from an airport operator which keeps its feet firmly on the ground and has a quasi-monopoly.

FT-SE Index: 3093.3 (-5.8)

British Steel



Source: Datastream

British Steel

British Steel has reached the limits of what can be achieved by self-help alone. A return to profit in the first half shows the benefit of rationalisation, but was achieved with a fair wind nonetheless. Sterling's devaluation was worth around £20m at the level of operating profit. Demand for steel at home was supported by a mini-cycle of stock building which has petered out since the summer. The joint venture with Avesta Sheffield in stainless steel flatters the improvement in trading performance by shifting losses into an associate company.

The future now turns on the thorny questions of state subsidies to loss-making European producers and closures of uneconomic plant. Without capacity reduction meaningful price increases are unlikely. Rises introduced this year are sticking, but average UK steel prices are only now back to the levels of 1986. The outperformance of British Steel's shares this year demands something more than a consolidation of these gains.

As a low-cost producer British Steel certainly stands to gain from higher prices. Restructuring elsewhere might also bring opportunities to put its balance sheet strength to work. With the share now on a dizzy rating, though, the downside risks cannot be ignored. Delay in reaching agreement among governments on subsidies could carry more than an opportunity cost. Big producers have shown uncommon discipline on pricing, but that common front must be vulnerable to cracks if demand in continental Europe continues to slide.

Credito Italiano

After Spain's success with Argentaria and that of France with BNP, Italy needs a good banking story to tell in its first privatisation. There must be some doubt whether it has found one in Credito Italiano, which is saddled with a low return on capital of only 4.5 per cent and an exposure to the Ferruzzi group equal to nearly a quarter of its net equity.

Arguably Istituto Mobiliare Italiano would have been a better choice to launch Italy's privatisation programme. Though smaller, its return on capital is about twice as high as that of Credito. An IMI sale might have been used to whet appetites for less attractive offerings which also include Banca Commerciale. But Credito better fulfils the political requirement for a large deal which spreads share ownership broadly among the Italian public, without leaving large blocs in the hands of particular interest groups.

Some hefty promotional discounts may thus be in order for Credito's employees and depositors. These might then be able to convince themselves they are buying a recovery stock, on the same principle whereby Barclays has outperformed Lloyds by over 40 per cent since its dividend cut in March. But by then Barclays had confronted the worst.

Credito cannot yet discern the full dimensions of its Ferruzzi problem; nor will it easily repeat this year's bond market gains. Besides, selling the stock cheap to retail investors could backfire without a strong aftermarket. That will not come naturally to a share which has lost a third of its value this year.

Eurotunnel

Sir Alastair Morton has not struggled to hide his frustration at Britain's failure to build a high-speed rail link to the Channel tunnel. So he will doubtless have a few choice words to say on the subject when his new committee on private finance for public projects starts to meet. In his other guise as Eurotunnel's chief executive, however, the repeated delays in the fast link are by now simply a fact of life.

The gentle amble through Kent will reduce Eurotunnel's attractions to short haul air travellers, but the ferry services are Eurotunnel's initial target. Yesterday's announcement that Stena Sealink is putting an extra ferry on the Dover-Calais route coincides with Eurotunnel's proposal to charge by the car rather than the passenger. Both groups are manoeuvring for position rather than signalling a price war. Once the tunnel is open, co-operation between the ferry companies seems likely, and Stena may only be ensuring its equality with P&O.

If the government allows some kind of ferry merger, costs of the competing Channel operators will be substantially reduced. Even then, the economics of the Channel links – which have seen a huge increase in fixed capacity and capital employed – are finely balanced on the prospects for traffic growth.

That is hardly a comfortable position for those Eurotunnel investors who subscribed project finance equity capital on different assumptions in 1987. The point should not be lost on anyone considering giving government schemes another whirl.

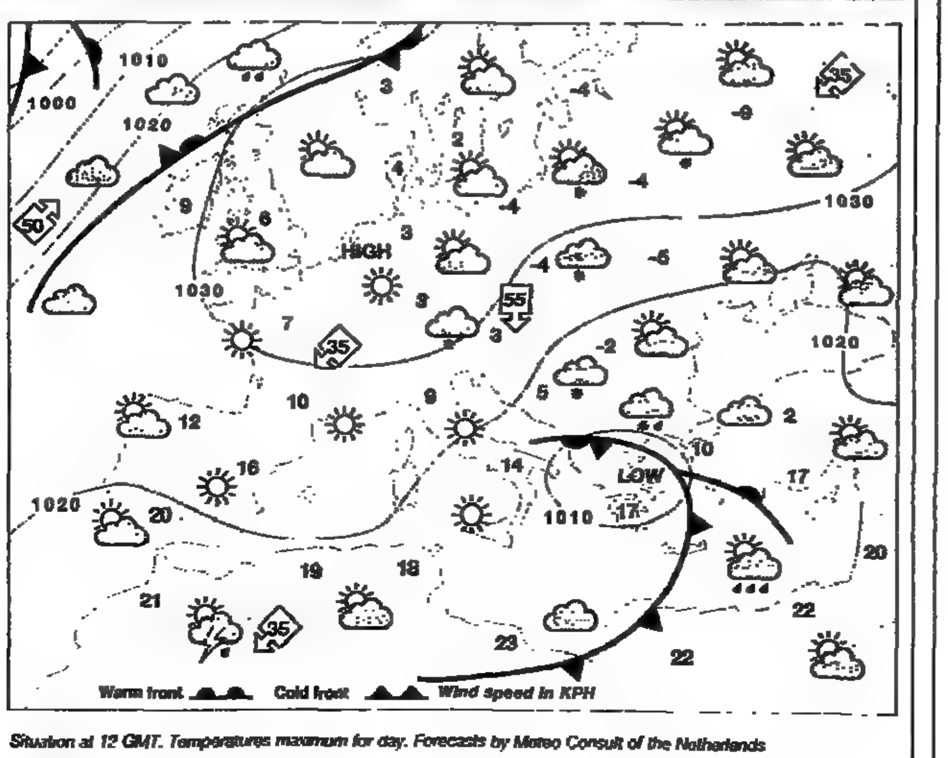
FT WORLD WEATHER

Europe today

High pressure over Denmark will merge with a high over Russia. As a result, an easterly flow will begin to bring cold air into western areas. The Balkans and eastern Alps will have snow which will accumulate. Temperatures will fall below freezing. Most of western Europe will be rather sunny. Only Ireland and Scotland will have cloud with rain in north-western regions. Temperatures will range from 7C-11C. In Greece and Turkey, a depression will bring unsettled conditions with rain and, in northern areas, snow. Portugal, Spain and Italy will have plenty of sun with near seasonable temperatures.

Five-day forecast

Wintry conditions over northern and eastern Europe will spread towards western Europe. Most areas will stay sunny and dry but there may also be some cloud. The British Isles will be mild and cloudy with rain in Ireland and Scotland. Greece and Turkey will continue unsettled with wintry conditions in northern areas. South-west Europe will stay dry with plenty of sunshine.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	31
Accra	cloudy	31
Algiers	shower	19
Amsterdam	sun	4
Athens	shower	17
B. Aires	cloudy	22
B.ham	fair	6
Bangkok	cloudy	35
Barcelona	sun	15
Beijing	rain	6
Belfast	cloudy	8
Belgrade	snow	-1
Berlin	fair	3
Bermuda	fair	26
Bogota	rain	18
Bombay	fair	33
Brussels	sun	6
Budapest	snow	0
C.hagen	sun	5
Cairo	sun	22
Cape Town	fair	23
Caracas	cloudy	30
Cardiff	cloudy	7
Chicago	rain	8
Cologne	sun	6
D' Salaam	fair	31
Dakar	fair	25
Dallas	rain	11
Delhi	fair	29
Dubai	sun	32
Dublin	cloudy	9
Dubrovnik	rain	12
Edinburgh	cloudy	8
Faro	fair	21
Frankfurt	sun	4
Geneva	fair	6
Gibraltar	fair	19
Glasgow	drzzl	6
Hamburg	fair	4
Helsinki	cloudy	-5
Hong Kong	fair	25
Honolulu	fair	29
Istanbul	rain	11
Jersey	fair	9
Karachi	cloudy	32
Kuwait	fair	26
L. Angeles	rain	16
Las Palmas	fair	23
Lima	cloudy	22
Lisbon	fair	18
London	fair	8
Lux.bourg	fair	4
Lyon	fair	6
Madeira	cloudy	20
Madrid	sun	13
Majorca	sun	17
Malta	sun	19
Manchester	fair	6
Manila	shower	31
Melbourne	fair	23
Mexico City	clear	21
Miami	sun	27
Milan	fair	9
Montreal	rain	4
Moscow	fair	-9
Munich	snow	1
Nairobi	fair	26
Naples	fair	13
Nassau	fair	28
New York	fair	15
Nice	sun	16
Nicosia	fair	14
Oslo	fair	0
Paris	sun	8
Perth	fair	22
Prague	snow	-1
Rangoon	cloudy	33
Reykjavik	rain	7
Rio	shower	25
Riyadh	sun	28
Rome	fair	14
S. Frsco	fair	15
Seoul	rain	12
Singapore	shower	28
Stockholm	fair	-1
Strasbourg	fair	5
Sydney	fair	24
Tangier	fair	20
Tel Aviv	fair	20
Tokyo	fair	21
Toronto	fair	8
Tunis	fair	18
Vancouver	rain	8
Venice	fair	11
Vienna	snow	1
Warsaw	fair	-4
Washington	cloudy	16
Wellington	fair	17
Winnipeg	snow	1
Zurich	fair	5

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 16 1993

INSIDE

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Bayer Vereinbk	527	+	18	CCF	278.9	+	10.1
Daimler Benz	708	+	11.5	Elf Aquit'n Cls	378.5	+	10.5
Hertie	361	+	8.5	Promodes	1136	+	[illegible]
Mannesmann	388.8	+	13.4	Schneider	379	+	9.2
Rheinmetall Prf	224	+	9	UAP	646	+	17
Falls				**Falls**			
Aachen Mch Reg	1405	–	95	Interbail	511	–	44
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
CBS	300¾	+	5⅝	Seibu Railway	3700	+	190
GIC	51¼	+	1¼	**Falls**			
USG Corp	23½	+	1⅛	Alps Electric	925	–	58
Falls				Hitachi Metals	860	–	69
Analog Devices	23¼	–	1⅜	Mercian Corp	828	–	[illegible]
Paramount Comm	80¾	–	2⅝	Mitsui Soko	833	–	52
UAL	[illegible]	–	5⅝	Penta Ocean	574	–	42

New York prices at 12.30.

LONDON (Pence)				Yorks-TyneT TV	216	+	13
Rises				**Falls**			
Amstrad	68	+	13½	Cussins Prop	66	–	5
Avesco	127	+	5	Devel Sec	37	–	2½
Balgrchlk	200	+	16	First Leisure	238	–	[illegible]
Bullerware	180xd	+	7½	Rogers	253	–	[illegible]
Coats	[illegible]	+	6	Perpetual	888	–	35
Euro Disney	385	+	15	Ramco Oil	171	–	6
Feedback	77	+	8	Taunton Cider	186	–	6
Lloyds Chem	285	+	12	Vibroplant	89	–	10
Renold	108	+	9				
Sonic	85	+	4				
Talare	215	+	11				

Rhône-Poulenc price is FFr135

By John Ridding in Paris

THE French government yesterday set a price of FFr135 per share for individual investors in Rhône-Poulenc, the chemicals and pharmaceuticals group.

The price is lower than expected by most market analysts and compares with the FFr153.6 closing price yesterday.

It reflects the government's desire to attract the French public and maintain momentum in its plans to sell 21 public sector groups.

Individual investors will now have six days to buy shares.

The price for institutional investors will be set by a book-building process and will be announced next week.

There may also be a clawback of shares for individuals if, as expected, the issue is oversubscribed.

Mr Edmond Alphandéry, the economy minister, estimated, however, that the sale of the government's 43 per cent stake in Rhône-Poulenc was likely to raise about FFr13bn ($2.2bn) compared with the FFr28bn received from last month's privatisation of Banque Nationale de Paris.

Mr Alphandéry described the privatisation of the first industrial group on its sell-off list as an important step in the government's programme and said he was confident of a successful sale.

Under the terms of the issue, the government will sell 47.6m shares through a public offering.

A further 31.7m shares will be sold to institutional investors in France and abroad. Current and former employees will be able to buy up to 8.8m shares.

Of the government's 43 per cent holding in Rhône-Poulenc, 6 per cent of the company's shares are being reserved for a core of stable shareholders.

These will comprise several companies, including Fiat of Italy and Axa, the French insurance group.

Both companies will join existing shareholders, such as Crédit Lyonnais and Assurances Générales de France, with the combined core of stable investors accounting for about 24 per cent of Rhône-Poulenc's capital after privatisation.

Fiat, which has an industrial alliance with Rhône-Poulenc in the fibres market, is expected to have a seat on the company's administrative board.

New investors in Rhône-Poulenc will enter the group's capital at a time when it is faced with difficult markets and declining profits.

Yesterday the group confirmed earlier forecasts by announcing net profits of FFr776m for the first nine months of the year, a fall of 30 per cent over the same period last year.

The company said that a similar decline was expected for the full year as a result of continued weakness in the chemicals, fibres and agrochemicals markets and a slowdown of growth in pharmaceuticals sales.

Italy starts state sales with bank group

By Haig Simonian in Milan

ITALY'S first attempt at a big privatisation aimed at retail investors will start on December 6 with the sale of the IRI state holding company's 67 per cent stake in Credito Italiano, the country's sixth largest bank.

The deal, forecast to raise about L2,000bn ($1.2bn), marks the beginning of an ambitious and much-delayed privatisation drive which should see the disposal of two further state-controlled banks by next March.

The forthcoming privatisations include Istituto Mobiliare Italiano, the Rome-based financial services group, due for sale in February, and Banca Commerciale Italiana, one of Italy's most best-known financial institutions, scheduled for March.

The sales will loosen the state's stranglehold on the financial services sector. They could herald a reorganisation of domestic banking, which has failed to match the pace of change in other big European countries because of geographical limits on growth and political barriers to bank mergers. Both have now been removed.

The terms of the Credito Italiano flotation, being co-ordinated by the bank and Goldman Sachs, will be revealed on December 4.

IRI will sell between 336m ordinary shares, representing 25.6 per cent of the total, and 840m. It will dispose of its remaining 17.4 per cent of the bank's non-voting preference stock.

Credito Italiano's reputation is founded on corporate lending, notably to northern Italy's leading industrial groups, and securities trading. Since the liberalisation of branch expansion rules in 1990, it has sought to develop its retail banking coverage by opening new branches.

Net profits amounted to L183bn in the first half of this year.

The bank has tended to be in the shadow of BCI, its slightly bigger neighbour. That image was partly confirmed yesterday by Mr Romano Prodi, IRI's chairman, who said BCI would have been privatised first had it not been for the fact that the Credito Italiano deal had been announced.

Credito Italiano and its advisers have embarked on an unprecedented press and publicity campaign to facilitate the sale. The bank's two managing directors appeared on Italian breakfast television yesterday and branches opened early to allow staff members to watch the broadcast.

A roadshow will kick off in Milan on Friday, when further details of the sale plans and trading prospects are likely to be revealed.

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Andrew Jack explains why a UK accounting practice is under threat

Open season on the fate of goodwill

The Christmas season of goodwill is likely to be rapidly transformed into one of illwill for finance directors as the UK Accounting Standards Board tackles one of the most controversial topics in financial reporting.

At issue is goodwill: the difference between the purchase price of a company and the net assets on its balance sheet. "We've got to lance this boil once and for all," says Mr David Tweedie, chairman of the board.

Reforms could cut British companies' profits, and reduce the advantages they have traditionally held. The UK's anomalous treatment of goodwill has given them an edge in acquisitions over their foreign competitors.

In a discussion document scheduled for release on December 16, the board is proposing to take a measured line, weighing three options. They are:

- Write-off goodwill immediately on acquisition to reserves in the balance sheet.
- Capitalise goodwill on the balance sheet and amortise it through the profit and loss account over a fixed period – probably 20 years.
- Maintain goodwill as an intangible asset in the balance sheet and depreciate if regular re-evaluations show it has diminished.

At present, the first two approaches are permitted under SSAP 22, the existing statement of standard accounting practice on goodwill.

Immediate write-off is by far the most popular in the UK. According to a sample of 500 most recent accounts by Company Reporting, the Edinburgh-based monthly monitoring service, just 4 per cent of companies with goodwill capitalised and amortised it. Mr Paul Rutteman, technical partner with accountants Ernst & Young, says companies dislike the approach because it reduces earnings and introduces an arbitrary period for writing off goodwill.

But amortisation is the favoured approach elsewhere in the world, with the period varying between five years in Germany (where there are tax incentives to go for the short period) to 40 years in the US.

The International Accounting Standards Committee will endorse the capitalisation and amortisation approach over 20 years in IAS 22, its own version, to be issued in January. Mr David Cairns, the committee's secretary-general, says: "No one else does it the British way. There is a feeling that if companies have paid for something worthwhile, it is misleading to write it off. It should be in the balance sheet."

The third approach to goodwill requires companies to develop a "ceiling test" based on projected cash flows to examine whether the value of the goodwill has fallen. The problem is whether these measures will be sufficiently robust. It will also raise the spectre of whether, for the sake of consistency, companies should include internally generated goodwill, such as home-grown brands, on their balance sheets.

There is also a legal difficulty: the seventh EC directive on company law seems to permit only the first two approaches. It does not allow intangible assets to be held at market value without amortisation. The ASB's lawyers are struggling with a way to permit the third approach.

The board is split internally about which approach it favours. An illustration of this tension is that it has still not approved a final version of the text of the discussion document. This will only take place in two weeks' time, at its next full meeting. It has yet to decide whether to favour one of the three options over the others.

At the earliest, a proposed exposure draft of a standard on goodwill could be issued by autumn next year. But that assumes there is a clear consensus on which of the three approaches to adopt.

More likely, it will take many months, during which the ASB will be faced with one of the toughest tests of its legitimacy and democracy. Mr Tweedie says if there is strong disagreement, there may well be open hearings at which interested parties will be forced to debate in public.

The current policy of discussing accounting issues behind closed doors could damage the board's credibility if followed on an issue as contentious as goodwill.

Judging by previous accounting standards that have touched on the topic, disagreement will be rife and reforms strongly contested. In 1989, ED 47, an exposure draft of a proposed standard by the Accounting Standards Committee, the board's predecessor, which would have made amortisation compulsory, was widely criticised by industry.

More recently, the board's urgent issues task force – which tackles loopholes in existing standards – introduced UITF 3 in late 1991 to great consternation. This requires companies to write off goodwill through the profit and loss account when they subsequently sell an acquired business.

Companies have been forced to comply, but many did so only with clenched teeth. The ructions have forced the board to consult on its proposals far more widely since then. A number of companies have also bent the rules to obey the letter rather than the spirit.

That said, if the ASB is to tackle the issue, the timing is probably right. Companies might do well to prepare themselves now for any change of accounting policies, while acquisition activity is subdued compared with the late 1980s. The impact on profits could be far more damaging if they wait for the next wave of purchases.

Astra heats up rivalry with Glaxo

By Paul Abrahams in London

ASTRA, the fast-growing Swedish pharmaceuticals group, yesterday announced it was in final stages of developing treatments to compete with two of Glaxo's top-selling drugs.

The company planned to submit its first application for a licence for its Turbuhaler containing a generic version of Glaxo's Ventolin, the world's best-selling asthma treatment, by the end of the year. Astra could eventually win significant market share from Ventolin, whose generic name is salbutamol. The drug generated sales for Glaxo of £484m ($731m) last financial year.

Astra claimed the Turbuhaler was more effective at delivering the drug into the lungs than traditional inhalers.

Glaxo said the Turbuhaler's ability to deliver more active ingredients into the lungs was immaterial because the drug's concentration could be increased.

The Swedish group also said that in 1995 it would submit the first dossier for the eradication of helicobacter pylori, a bacterium that causes peptic ulcers, using its anti-ulcer drug Losec and an antibiotic, amoxycillin. The company is launching a large trial involving 4,000 patients.

A large proportion of Glaxo's sales of Zantac, the world's best-selling drug, are to prevent the recurrence of ulcers. If Astra's combination is effective and adopted by doctors it could have an adverse impact on Zantac sales, which last financial year were £2.17bn, or 44 per cent of group turnover.

"This news is bad for Glaxo, but predictable," said Ms Jo Walton, pharmaceuticals analyst at Lehman Brothers. "We were expecting the salbutamol Turbuhaler, though not as quickly as this. On the other hand, the eradication therapy seems behind schedule."

Astra also revealed it had acquired a further 39 per cent of its 51 per cent owned Japanese subsidiary Fujisawa-Astra. Osaka-based Fujisawa will continue to own 10 per cent of the joint-venture and will support the business for certain manufacturing, distribution and other services.

Separately, Astra announced it had signed a co-marketing agreement with Sandoz, regarding the Swiss group's cholesterol-lowering drug Lescol.

BAA may run Rome airport

By Paul Betts in London and Robert Graham in Rome

BAA, the privatised British Airports Authority, is in talks with IRI, the Italian state holding company, over acquiring a stake in Rome's Fumicino airport and a management contract.

BAA has been seeking to market its expertise in airport management as part of its efforts to expand internationally.

It is today expected to reveal interim pre-tax profits up 8-10 per cent, at about £235m ($355m).

The negotiations over Rome airport follow BAA's management contract to develop retailing at Pittsburg airport in the US and recent talks in China to help modernise and develop Chinese airports through joint ventures.

Although the eventual privatisation of Rome's Fumicino airport remains a highly complex issue, BAA is understood to consider an equity investment and management of the airport as an attractive long-term opportunity.

Rome airport handles about 19m passengers a year of which 60 per cent involve international flights. BAA sees considerable potential at Rome for retailing, which has become a main source of income at its UK airports.

IRI, which controls the Rome airports authority, insisted yesterday that any deal would depend on the passing of new legislation, since existing law stipulates ownership must be held by a public body. With early elections likely in Italy, it is thought such legislation would have to await a new parliament.

IRI controls the Rome airports authority through a 56 per cent stake held by Alitalia, the Italian national carrier, and a further 43 per cent held by Iritecna, the state holding's construction arm.

The pressure for the airport sell-off comes from the financial plight of Alitalia and Iritecna, which are both losing money.

The airports authority is also the type of activity that Professor Romano Prodi, the head of IRI, is anxious to privatise. Rome airport is undergoing costly redevelopment and the authority needs financial assistance.

The Rome airports authority, already under fire from Italy's anti-trust monitors, has traditionally been regarded as an important source of political patronage. One problem in any privatisation will be the fate of the 6,693 staff. BAA employs directly only 4,000 at London Heathrow airport, which handles twice as many passengers.

KLM reviews Alcazar role after profits improvement

By Ronald van de Krol in The Hague

KLM Royal Dutch Airlines said cutting costs and bolstering its position in the aviation market had reduced its dependence on a partnership being negotiated with three other European airlines.

Mr Pieter Bouw, chairman, stressed that KLM stood wholeheartedly behind efforts to arrive at a partnership with Swissair, Scandinavian Airlines System (SAS) and Austrian Airlines under the code name Alcazar.

However, Mr Bouw added that KLM's programme of lowering costs and improving service to passengers meant that KLM was less dependent on the alliance than it had been.

Internal cost-cutting had allowed KLM to take part in the talks without its "back to the wall", he said.

"What we want to avoid, and what we have avoided, is that partnership is KLM's only strategy for survival," he said. He was speaking less than two weeks after KLM unveiled a better-than-expected 20 per cent increase in net profit for the 1993-94 second quarter.

Mr Bouw said this did not mean that KLM had changed heart about the alliance but said his comments tried to explain why the carrier had sought to lift productivity over the past few years.

The four-way merger talks have become bogged down by difficulties in choosing a US partner airline. Each airline, with the exception of Austrian Airlines, has a partner in the US.

Tiphook increases financing

By Andrew Bolger

TIPHOOK, the debt-laden UK container and transport leasing group, has obtained further facilities from its bankers and is in talks with an unidentified third party about the possible sale of its container division.

The group, which has been struggling to refinance its overstretched balance sheet, also warned that the costs of refinancing meant it was likely to make a loss in the second half of this financial year and confirmed it did not expect to pay a dividend.

Tiphook has an estimated 17 per cent of the world's container rental fleet, making it the second largest rental company in the world after Genstar, a division of the US's General Electric Capital Corporation.

The container division, which accounted for more than half of Tiphook's turnover last year, could fetch a substantial sum, although trading activity is at a low point.

Tiphook said it was at a preliminary stage of discussions of various alternatives with other parties.

This, combined with the container division talks, suggests the group's bankers might be considering an orderly disposal of all the group's assets. Tiphook recently obtained shareholder approval to allow debts to increase to £1.3bn ($1.9bn), giving gearing of 600 per cent.

An obstacle to speedy disposals could come from disgruntled US bondholders, who have lent Tiphook $700m in the last year.

Tiphook said the group and some of its directors were the subject of four shareholder class actions in the US, which they intended to defend, but declined to give any further details.

In view of the preliminary stage of these proceedings, the company said it was unable to determine the impact, if any, which these actions might have on its financial position.

Tiphook said it had obtained bank facilities of £32.3m from its principal banks.

It had obtained a further amount to enable it to meet immediate working capital requirements, including finance payments.

However, the group was in breach of certain of its banking covenants and required the further support of these banks to enable it to meet its commitments through to April 30, and discussions were continuing, Tiphook said.

Tiphook's announcement came as the London market closed, but in New York – where the majority of the company's stock is held – Tiphook ADRs fell $⅝ to $3⅞.

Usinor sees FFr5bn loss for year

By John Ridding in Paris

MR Francis Mer, chairman of Usinor Sacilor, the French state-owned steel group, yesterday forecast the company would suffer losses of about FFr5bn ($847m) this year and that its results were unlikely to improve until 1995.

Mr Mer said the company continued to suffer from the sharp downturn in international steel markets which had put strong pressure on volumes and prices.

"Second-half results are likely to be around the same levels as in the first half of 1993," said Mr Mer, referring to net losses of FFr2.59bn which were recorded in the January-June period.

The first-half performance represented a sharp decline on the same period in 1992 when the group reported losses of FFr200m.

Mr Mer said that the depressed state of the international steel markets could result in the loss of up to 100,000 jobs out of a total of 350,000 employed in the industry in Europe. But he added that Usinor Sacilor would not have to make sharp cuts in its workforce.

"Usinor will play only a limited role in this reduction since we began our restructuring measures in 1984," he said.

British Steel returns to the black in first half

By Andrew Bolger in London

BRITISH Steel yesterday reported a better-than-expected recovery in profits, but warned that governments must stop subsidising overcapacity in the European steel industry.

The company, which was privatised in 1988, made pre-tax profits of £27m ($40.2m) in the six months to October 2, compared with a loss of £51m. It paid an interim dividend of 0.5p, having passed it last time. Turnover slipped to £2.45bn from £2.56bn.

The group said UK demand recovered markedly in the first half, but this largely reflected an increase in stock.

The underlying improvement in UK steel demand remained modest. In mainland Europe markets were very depressed and no recovery was expected in the current year.

Mr Brian Moffat, chairman and chief executive, said: "The company continues to demonstrate its ability to deal with extremely difficult market conditions, but the critical ingredient for a return to adequate profitability and increased dividends remains the political will of governments to end the proliferation of state subsidies."

The group said progress on solving overcapacity and subsidies in the EU industry had been slow, particularly because of delays in submitting firm proposals regarding state-owned companies in Italy, Spain and Germany.

Mr Moffat said: "While strenuous efforts are being made by the European Commission to uphold existing restrictions on state aid, subsidies continue and the Council of Ministers must now bring matters to a head in order to prevent insolvent state-owned companies forcing some private sector producers out of markets."

British Steel has improved by raising prices and cutting costs. The workforce at the period end was 41,400, compared with 46,500 last time.

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London SE, Page 31

BA turns in sharp gain in earnings

By Paul Betts, Aerospace Correspondent

BRITISH Airways yesterday reported a sharp rise in second quarter pre-tax profits from £136m to £172m ($259.7m), helped by cost-cutting and some recovery in traffic.

Sir Colin Marshall, BA's chairman, said there were "signs of recovery in our two major markets, the UK and the US". But he warned: "Trading conditions overall this winter will remain difficult as a result of over-capacity in the industry."

For the six months to September 30, pre-tax profits rose 3.5 per cent to £235m. Operating profits were nearly 30 per cent ahead at £344m on a 14.1 per cent increase in turnover to £3.29bn.

But the company suffered £32m of losses, largely from its French and German regional airline operations.

Mr Robert Ayling, BA's managing director, said its French partner, TAT, was about to launch a programme to reduce costs and improve the airline's profitability. However, BA expects a gradual improvement in the affiliate's performance over the next 12 months.

TAT, in which BA owns a 49 per cent stake, has been badly hit by the recession in France.

BA's German joint airline venture, Deutsche BA, also lost money in the first half as a result of poor trading conditions in the German market.

Overall, passenger numbers increased 12.1 per cent to 15.4m in the first half. But with a slightly higher rise in capacity, the airline's passenger load factor slipped 1.8 percentage points to 72.8 per cent.

The relative weakness of sterling improved yields and first and business class premium traffic showed some strengthening in the second quarter with an average 2 per cent growth over last year. However, Mr Ayling said the main growth in the first half had come in economy class travel.

BA's strong financial performance against the general industry trend reflected continuing improvements in holding down costs and productivity.

Sir Colin stressed the importance of increasing efficiency. BA's target this year was to achieve savings of £150m. "We have already identified savings of over £100m. This, added to savings over the last two years of more than £400m, means that we will have taken more than half a billion pounds of costs out of our company over a three-year period."

He said BA was leading the way in forming a global airline system with its partners in the US, Australia and Europe. This was likely to lead eventually to a rationalisation of the partners' fleets, particularly in the commuter and regional turbo-propeller aircraft sector.

Shareholders will receive an interim dividend of 3.18p a share, up 8.5 per cent.

Fully diluted earnings per share were 0.5 per cent down at 20.4p, reflecting last May's £442m rights issue.

Gearing stood at 51 per cent at the end of the first half showing an 11 point improvement since the end of March.

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London SE, Page 31

Nissan Iberica deeper in red

By Kevin Done, Motor Industry Correspondent

NISSAN Motor Iberica, the Spanish arm of the Japanese carmaker, plunged to a pre-tax loss of Pta28.01bn ($207m) in the first nine months of the year from a loss of Pta5.44bn in the same period a year ago.

The heavy losses, which are forecast to total about Pta40bn for the full year, are forcing the company into a drastic financial restructuring including the write-off of about two-thirds of Nissan Iberica's equity capital of Pta60bn.

The company said yesterday that the accumulated losses for 1992 and 1993, which are expected to total about Pta54bn, would be funded by existing reserves of about Pta13bn and by an equity write-off. The write-off would reduce net worth to about Pta20bn.

Nissan, which has 70.3 per cent of its Spanish subsidiary, had planned to inject a further Pta10bn ($73m) in new equity into the company following the provision of Pta5bn in the summer.

Its room for financial action is being constrained by mounting losses in its worldwide operations, in particular in Japan.

Nissan Iberica is to meet Spanish trade unions at the end of the month to discuss its proposals to eliminate a further 500 jobs in addition to the 600 it is cutting. The workforce, which totalled 7,200 people at the start of the year, has fallen to 6,950 and is expected to be cut by about 15 per cent in 1993-94.

The company's finances have come under acute pressure from the sharp fall in new vehicle sales in Spain and across west Europe, which has coincided with heavy capital investments by the Japanese vehicle maker in Spain in new production capacity and in the development of new models. It is carrying a heavy burden of depreciation and financing charges.

Holderbank expects further gains

By Ian Rodger in Zurich

HOLDERBANK, one of the world's largest cement producers, has forecast a 3.9 per cent rise in consolidated net profit to SFr405m ($270m) in 1993 and held out the prospect of further gains in 1994.

Mr Thomas Schmidheiny, chairman of the Swiss group, called this year's expected profit rise satisfactory, considering the "extremely difficult conditions" in many construction markets.

Mr Schmidheiny said he could foresee a dividend increase, but was not specific.

Cement shipments would rise 5.8 per cent to 45.6m tonnes and deliveries of ready mixed concrete would advance 5.3 per cent to 13.9m tonnes.

The gains were coming mainly from the US and Latin American markets. Apart from eastern Germany where sales were 35 per cent ahead of last year, European markets were depressed.

Holderbank has operations in 30 countries, and minority interests will claim 34.6 per cent of this year's net income.

Mr Max Amstutz, deputy chief executive, said the group anticipated that the US Holnam subsidiary and St Lawrence Cement in Canada would return to profit next year.

● Swiss Bank Corporation has made an agreed bid to acquire Seeland Bank, a struggling Swiss regional bank based in Biel with total assets of close to SFr5bn.

The share and cash offer values the bank at SFr193.9m.

Austrian energy group rises 12.4%

By Patrick Blum in Vienna

ENERGIE-Versorgung Niederoesterreich (EVN), the Austrian energy utility, yesterday reported higher turnover and profits for 1992-93, and promised an increased "winter warmer" dividend.

Turnover was Sch10.3bn ($873m), up 4.6 per cent on the previous year in spite of the economic downturn. Operating results were up 12.4 per cent to Sch761m. The dividend is set at 21 per cent, up from 19 per cent in 1991-92. Earnings per share rose 12.3 per cent to Sch82.

"Higher volumes of business in all areas, combined with increased productivity and adherence to a strict cost management policy, have provided the result," said Mr Rudolf Gruber, chairman.

EVN has agreed to sell up to half of its 50 per cent stake in RAG, the Austrian oil and gas exploration company in which Mobil and Shell each hold 25 per cent. The buyer is Bayernwerk, the German utility with which it will form a new holding company. The price was not disclosed. EVN paid $98m for its stake in 1992.

Mr Gruber said the outlook was positive. EVN would benefit by about Sch100m following Austrian tax reform.

Former M&A king opts to join Morgan Stanley

By Richard Waters in New York

MR JOSEPH Perella, one half of Wall Street's most successful mergers and acquisitions double act in the 1980s, moved back into the mainstream of investment banking yesterday. He announced he would join Morgan Stanley.

Mr Perella resigned two months ago from Wasserstein Perella, the M&A boutique he founded with long-term associate Bruce Wasserstein in 1988. He left behind his name and what he said was a "significant" equity interest in the firm.

Mr Perella, 52, will join Morgan Stanley's operating committee, but have no involvement in the management of its investment banking department. He said he had not discussed a management role with any of the banks he talked to.

The move to Morgan follows intense competition from several Wall Street houses for his services, indicating the sharp increase in M&A activity this year after a two-year lull.

It also pointed to the ambition of a number of securities houses to expand their investment banking operations.

Mr Perella eventually chose Morgan Stanley, an established house, over Merrill Lynch, which has sought to graft a stronger investment banking operation on to its substantial broking and trading activities.

He will fill the gap left at Morgan Stanley by the departure this year of Mr Robert Greenhill, the bank's former president, who went to Smith Barney. But both Mr Perella and Morgan Stanley said the appointment would have been made even if Mr Greenhill had still been at the firm.

Mr Greenhill has remained the leading adviser to Viacom in its bid to acquire Paramount, leaving Morgan Stanley with only a supporting role in the biggest contested takeover battle since the late 1980s - advising Nynex on its investment in Viascom.

However, the bank's work for Merck in the acquisition of Medco Containment Services, and for AT&T in its purchase of McCaw, will put Morgan back among the leaders in the M&A business for this year.

Mr Perella refuses to comment on why he parted company with Mr Wasserstein. "I have an amicable relationship with Bruce. I just thought it was time to move on," he said.

Saab Auto recovery quickens

By Christopher Brown-Humes in Stockholm

SAAB Automobile stepped up the recovery pace in the third quarter of 1993 with a 47 per cent reduction in losses after financial items, to SKr285m ($34.8m).

The result, which compares with a SKr541m deficit in the same 1992 period, reflects the benefits of a cost-cutting programme.

It means that losses at the company, jointly-owned by General Motors of the US and Saab-Scania, amounted to SKr844m over the first nine months, down 37 per cent from SKr1.34bn last time.

A 20 per cent rise in sales, to SKr3.72bn, during the latest quarter helped lift sales for the first nine months by 3 per cent to SKr11.5bn.

The improvement reflects the company's invoicing to dealers and importers, rather than improved market conditions or any significant benefit from the depreciation of the krona.

Retail sales were substantially lower at 53,000 cars, compared with 66,000 last year, largely because the group stopped making its old 900 series in March.

The latest figures include some sales of the new 900 model which was launched on the European market in September. The launch has led to an upturn in group sales in Sweden. A positive response in other key markets, including the UK and US, is expected in the final few months.

Car sales of between 73,000 and 75,000 are expected in the full year. This is less than the 80,000 units originally forecast.

Although Saab expects to remain in the red for the full year, it says its deficit will be "substantially lower" than last year's SKr2.69bn loss.

It is looking to end a run of five consecutive years of losses next year with at least a break-even result.

Profits improve at US toy retailer

By Richard Waters

PRE-TAX earnings at Toys 'R' Us, the US toy retailer, advanced 17 per cent in the three months to the end of October. The result reflected the continued benefits of increased sales of higher-margin products.

Although the results were close to analysts' expectations, the company's share price, which had risen in recent weeks to a 12-month high, dipped $1½ on the news, to $41⅜.

Pre-tax earnings rose to $67.6m, as sales grew by 8 per cent during the quarter from a year ago, to $1.45bn.

After a one-off charge of $5m due to the change in the US corporate tax rate, net earnings were $37.5m, or 13 cents a share, compared with $36.8m, or 12 cents, the year before.

US store sales saw a "slight" increase year-on-year, said Mr Charles Lazarus, chairman. German sales fell as the economy there slowed, though other European and Canadian stores saw a sales increase.

The company plans to open between 100 and 115 stores next year, he said.

Kmart falls 22% despite healthy rise in sales

By Frank McGurty in New York

KMART, the second-largest retailer in the US after Wal-Mart, yesterday posted a 22.5 per cent decline in third-quarter earnings, despite a 10.5 per cent increase in sales.

In the 13 weeks to October 27, net income was $94m, or 20 cents a share, compared with $122m, or 27 cents, in the corresponding period of 1992.

Sales reached a record $9.77bn, up from $8.84bn a year earlier. On a comparable-store basis – excluding outlets opened for less than a year – sales were up 3 per cent.

The company said the poor profits performance primarily reflected a further substantial loss by its Pace membership warehouse division. In addition, income contributed by the PayLess drug-store operation was down 31 per cent.

Although slightly worse than analysts had expected, the 20-cents-a-share earnings figure did not raise undue concern on Wall Street. This was because of the company's recent moves to shed the two underperforming businesses.

This month, Kmart agreed to sell 91 of its 113 Pace stores to Wal-Mart. It also announced plans to close the remainder. Days earlier, a Los Angeles investment company agreed to buy the PayLess operation for $1bn.

The retailer said it would take an estimated $450m charge against fourth-quarter earnings to cover costs related to the divestments and store closures.

Compared with a year ago, sales were more heavily weighted toward lower-priced items. As a result, gross margins slipped to 24.1 per cent, from 24.2 per cent.

Earnings also suffered from the effect of the 1 per cent increase in the federal tax rate for corporations, enacted in August.

In the first nine months, net income before an extraordinary item was down 39.2 per cent to $246m, or 53 cents. Sales were $29bn, up 10.4 per cent.

Slimmer Wang gets back on line

Alan Cain looks at how the US computer group has re-emerged

It was once America's fastest growing computer company. But when Wang Laboratories slipped into bankruptcy 15 months ago, there were fears it had entered a black hole from which there could be no return.

The position seemed desperate. It was one of the first victims of the profound changes now racking the global computer industry. Its technology was obsolete, its revenues were declining rapidly, and its debt, despite the Herculean efforts of former chairman Mr Richard Miller – who had managed to pay off $575m – stood at a over half a billion dollars.

Today, Wang will report its first quarterly figures since emerging from the protection of Chapter 11 of the US bankruptcy code three weeks ago. The price paid for survival includes loss of control by the family of Dr An Wang, the brilliant Chinese-born inventor whose death from cancer in 1990 exacerbated the crisis, and a significant change of identity.

The old Wang with $3bn in sales was a manufacturer of proprietary minicomputers tuned to run Wang's own, well-regarded office software.

Today's Wang is a slimmer computing services company with just under $1bn worth of sales, marketing a range of white-collar productivity softwars and prepared to work with industry standard hardware and other suppliers to meets customers' needs.

The chief link with the old Wang remains the commitment to computer systems for the office and for workgroups.

Mr Miller resigned at the beginning of the year. Wang has a new chairman and chief executive in Mr Joseph Tucci, promoted last month. Mr Tucci joined Wang as vice-president, operations, in 1990. He was recruited by Mr Miller, who reasoned that Mr Tucci's previous experience with Unisys, another US manufacturer hard-hit by the changes in the industry, could help Wang through the crisis.

Crucial to the company's survival has been the manoeuvres to eliminate the debt burden and rejuvenate the balance sheet. The key has been a conversion of debt to equity. Wang's principal creditors, including suppliers such as Hewlett-Packard, were persuaded to take stock in the new company.

Before the plan was confirmed, Wang had a negative net worth of $508m, with combined short-term and long-term debt of $497m. Now, coupled with the debt conversion, the company has raised a further $60m through the placement of preferred stock, and describes itself as having the strongest balance sheet in the computer industry.

Its justification is a cash level at 20 per cent of total assets, compared with 8 per cent for Hewlett-Packard and 6 per cent at IBM. Long-term debt is 1 cent of equity, against 28 per cent at IBM and 97 per cent for Unisys.

Joseph Tucci: negotiations with creditors 'difficult'

The essence of the Wang argument was that the company could successfully move from proprietary hardware and software to open – or industry standard – systems and "client-server computing".

Client-server computing is generally acknowledged as the principal direction of the computer industry now. It implies networks of low-cost personal computers linked through a network to larger computers which share the processing load.

Wang has spent the past three years converting its old proprietary software to the new client-server systems. It had to be done from scratch; papering over the deficiencies of the old software simply leads to inefficiencies and frustrated customers.

Mr Tucci describes negotiations with creditors as "difficult" and talks of the due diligence process. "They went through every line of computer code to see if we had really moved the software to client-server. In the end, the survival plan gained the support of 97 per cent of the old and new shareholders.

His strategy now is to develop the company's office productivity software – including programs for document management, imaging, workflow and electronic mail – while continuing to support its line of VS minicomputers.

The line will not develop much further, but there are 20,000 customers who will continue to need maintenance and support.

Although the company will invest some $50m in research and development this year, most of that will go on software development. "There will be no next generation of VS computers," Mr Tucci says.

There is a newly-appointed board of directors.

The new, financially sound, Wang is also receptive to ideas in a way that would have been alien to its predecessor. "We are setting no rules." Mr Tucci says: "We are open to every way of working with our customers and with other suppliers."

Cragnotti changes tack with Mardon sale

By Haig Simonian in Milan and Ian Rodger in Zurich

THE DECISION by Cragnotti & Partners Capital (CPC) to sell its controlling stake in Canada's Lawson Mardon packaging group to Alusuisse Lonza, the Swiss aluminium and chemicals group, marks a change of strategy for the Milan-based financial company.

For Mr Cragnotti, a former executive at Italy's Ferruzzi group, the purchase of Lawson Mardon represented the first step in an ambitious plan to turn CPC into an international financial powerhouse combining corporate finance with industrial management skills.

Packaging, in the form of Lawson Mardon, was the first in a trio of sectors identified as ripe for investment and internationalisation, with foodstuffs and detergents representing the two others.

Since then, however, matters have changed. Mr Cragnotti, a close associate of Mr Raul Gardini, the Italian entrepreneur who committed suicide in July, has also become involved in the corruption investigations which contributed to Mr Gardini's death.

Mr Cragnotti has been building up food interests in Italy, and had been tipped as one of the potential buyers of parts of the state-controlled SME foods, catering and retailing group now being privatised.

For Alusuisse Lonza the takeover of Lawson Mardon would represent a giant step towards completing its 10-year restructuring programme begun two years ago.

The programme was designed to move the group decisively away from its heavy dependence on the volatile aluminium business, which then represented two thirds of its SFr6.3bn ($4.2bn) sales.

By the end of the decade, the group aims to have sales of SFr9bn to SFr11bn. It wants sales to be split in three equal parts among aluminium products, chemicals and packaging.

It is currently pulling together its various packaging operations (mainly based on aluminium) into a coherent division and to date, excluding Lawson Mardon, has made eight acquisitions. Packaging division sales have grown from SFr744m in 1988 to SFr1.4bn last year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Half hour period ending	Provisional Prices for trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.07	19.05	19.05
0100	24.24	19.07	19.07
0130	24.24	18.64	18.64
0200	24.24	21.89	24.14
0230	24.24	21.89	24.14
0300	24.24	22.89	22.64
0330	24.24	22.89	22.54
0400	24.24	22.70	22.54
0430	18.24	18.24	18.24
0500	18.22	18.12	18.12
0530	18.24	18.11	18.11
0600	18.24	18.02	18.02
0630	18.17	18.07	18.07
0700	24.89	26.41	27.57
0730	27.22	33.89	36.40
0800	27.22	36.89	40.12
0830	27.22	42.89	44.07
0900	27.23	42.84	45.45
0930	31.07	30.01	33.40
1000	31.07	30.40	33.13
1030	31.11	29.60	31.40
1100	27.22	29.47	31.12
1130	28.71	29.45	31.10
1200	28.19	28.44	31.08
1230	28.19	27.70	30.53
1300	28.71	27.60	30.20
1330	28.71	28.75	29.32
1400	28.71	25.71	29.27
1430	24.88	25.70	28.25
1500	24.88	25.70	28.25
1530	24.88	25.70	28.25
1600	24.78	25.74	28.31
1630	29.59	27.31	29.91
1700	47.85	28.33	30.85
1730	55.45	28.36	30.99
1800	50.21	33.57	36.13
1830	34.29	38.05	39.06
1900	29.85	41.82	44.79
1930	28.47	41.30	44.19
2000	28.20	32.90	35.51
2030	25.23	27.35	29.94
2100	25.23	25.44	27.99
2130	24.89	25.43	27.98
2200	24.80	25.43	27.98
2230	24.89	25.43	27.98
2300	24.80	25.43	27.98
2330	18.24	18.24	18.24
2400	18.19	18.14	18.14

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 9.00am and 5.15pm Monday to Friday.
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NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC

Class B-1 Mortgage Backed Floating Rate Notes
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £4,000,000 will be redeemed on 30th November, 1993 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

185	216	218	231	233	235	345	352	372	432
452	478	488	489	563	564	565	576	587	612
646	669	680	692	725	734	761	771	791	797
806	817	856	866	893	1054	1100	1111	1112	1129

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Morgan Guaranty Trust Company of New York
Avenue Des Arts 35
B-1040 Brussels, Belgium

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011
Luxembourg

Morgan Guaranty Trust Company of New York
55 Exchange Place, Basement A
New York, New York 10260-0023
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent
Dated: 16th November, 1993

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

NOTICE OF PREPAYMENT

EUROPEAN INVESTMENT BANK

ESP 12,500,000,000.- 11.40% Bonds due 19 th December 1995

Notice is hereby given to the Bondholders that pursuant to clause "OPTINAL REDEMPTION", the issuer has elected to reedem and prepay all outstanding Bonds, on 19th December 1993 at a redemption price of 101% of the principal amount thereof, together with accrued interest thereto.

Interest will cease to accrue on the Bonds as of 19th December 1993.

Payment of interest due 19th December 1993, will be made as usual in accordance to the Term and Condition of the Bonds.

Bonds should be presented and surrendered for payment with all coupons attached appartaining thereto maturing after 19th December, 1993 at Banco Español de Crédito (BANESTO) Madrid.

MERCURY SELECTED TRUST (SICAV)

14, rue Léon Thyes, L-2636 Luxembourg. R.C. Luxembourg No.B. 6317

PAYMENT OF DIVIDEND

Notice is hereby given to shareholders that an interim dividend for the year ended 31st December, 1993 of US$0.17 for the Global Managed Currency Fund has been declared by the board.

This dividend will be paid on 26th November, 1993 to registered shareholders of the Fund who were on the register at 11th November, 1993.

This dividend will be paid from 26th November, 1993 to bearer shareholders of the Fund against presentation of coupon No.9 at any of the company's paying agents including its credits paying agent in the United Kingdom:

S.G. WARBURG & CO. LTD.
Credits Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

from whom claim forms can be obtained. United Kingdom tax will be deducted from claims in the United Kingdom at the rate of 25 per cent, unless claims are accompanied by an affidavit.

16th November, 1993 MERCURY SELECTED TRUST (SICAV)

Hyundai Motor aims to double capacity by 2000

By John Burton in Seoul

HYUNDAI Motor, South Korea's largest maker of vehicles, plans almost to double its production capacity to 2m cars and trucks by 2000.

The Won3,300bn ($4bn) project to build three factories and two engineering centres would make it one of the world's 10 biggest producers of vehicles.

Hyundai's expansion is a key element in the state-sponsored X-5 programme to make South Korea one of the five leading vehicle manufacturers by the end of the century. The programme is being supported by soft state loans.

Some analysts, however, question whether South Korea is heading for overcapacity in vehicle production.

Hyundai Motor can now produce 1.15m vehicles a year at its facilities in the south-east city of Ulsan, the manufacturing centre of the Hyundai business conglomerate.

The new facilities will be built in the western half of the country as part of the government's plan to promote balanced regional development.

The first factory at Wanju, North Cholla province will be completed in 1995 and produce 70,000 trucks and buses a year. It will be the centre for Hyundai's production of large-sized commercial vehicles.

A plant at Asan, South Chungchong province, will go into operation in 1996 and produce 300,000 medium-sized cars annually for export.

The final phase of expansion will be a facility at Yeochon, South Cholla province, which will begin producing 500,000 vehicles a year in 2000. It will also include a research centre and test track.

The expansion coincides with efforts by Hyundai to increase sales in Europe and Asia and reduce its dependence on the North American market. Exports have been boosted this year by a 20 per cent fall in the value of the Korean won against the Japanese yen.

Hyundai estimates that overseas sales will rise by 16 per cent to 330,000 vehicles. Significant growth in Asia has offset a downturn in European sales due to the recession.

It is considering building two overseas plants, one in Europe, the other in Asia.

Cost-cutting planned by Tabacalera after 61% fall

By Tom Burns in Madrid

TABACALERA, Spain's government-controlled tobacco group, reported a 61 per cent drop in consolidated pre-tax profits to Pta6.4bn ($46.8m) for the first nine months. It is to introduce a cost-cutting programme to improve its balance sheet.

The profits plunge was blamed on an increase in contraband tobacco, competition from imported lower-priced brands, and the increased cost of raw materials following the peseta's depreciation.

Tabacalera, which intends to *shed 500 jobs under early* retirement schemes, said it hoped to save more than Pta1bn before the end of this year through spending cuts.

The latest figures disguised signs of improvement in the group's sales, thanks to a recent government crackdown on tobacco smuggling.

Sales fell by 10 per cent against the first nine months of last year. In September this year, when anti-contraband legislation came into force, sales fell by just over 1 per cent against September 1992.

Tabacalera did not consolidate the food group Royal Brands, 50 per cent of which was sold to RJR Nabisco of the US in July.

The Spanish group, which hopes Nabisco will buy Royal *Brands outright next year, said* it considered its remaining 50 per cent stake in the food division to be a "short-term" investment.

Hollinger drops to C$6.8m in third term

By Bernard Simon in Toronto

HOLLINGER, the international newspaper group controlled by Mr Conrad Black, blamed a drop in nine-month earnings on the decline in the pound sterling and weak advertising in its Canadian publications.

Third-quarter earnings dropped to C$6.8m (US$5.2m), or nine cents a share, down from C$9.1m, or 13 cents, a year earlier. Revenues dipped to C$313.8m from C$218m.

Nine-month earnings, excluding unusual items, edged down to C$33.8m from C$34.5m.

The company said operating results showed an "encouraging improvement" in its non-Canadian businesses, which included a 68 per cent stake in the UK Daily Telegraph, the Jerusalem Post and a chain of small US newspapers. The Telegraph owns a minority interest in John Fairfax Holdings of Australia.

However, the Telegraph's net contribution to Hollinger's earnings has increased only slightly so far this year, after taking into account the decline in the sterling exchange rate to an average of C$1.93 per pound from C$2.17 in 1992.

Hollinger raised its exposure to the Canadian newspaper market last year by acquiring a 19 per cent stake in Southam, the country's biggest daily newspaper publisher. Hollinger does not equity-account its interest in Southam, which suffered a third-quarter loss of C$3.7m, but reported progress in reducing labour and other costs.

Hollinger demonstrated its confidence in Southam's future this month by announcing the sale of C$100m of debentures with a redemption value pegged to the performance of Southam's share price. The debentures are due to be priced shortly. Hollinger said the amount of the issue might be slightly raised.

Mr Black said Hollinger was *investigating acquisitions* in the US. It made an abortive attempt last year to buy the floundering New York Daily News.

Reichmanns take a gamble on Mexico

Damian Fraser reports on deals planned by the Canadian brothers and George Soros

THE Reichmann brothers, the Canadian *property developers who* last week announced three big real estate investments in Mexico City, are convinced that Mexico is heading for an Asian-style economic boom.

But some rival developers are already saying they have arrived too late and the decision to invest in projects worth more than $1bn, with US financier George Soros, resembles their ill-fated investment in London's Canary Wharf.

The Canadian developers have been warmly welcomed by the Mexican government, which is anxious to turn the decaying capital city into a centre of services, with world-class office space, hotels, and shopping malls.

The Reichmanns are attracted by a market that until recently has had few top quality buildings, and where developers obtain annual returns on their capital of around 30–40 per cent.

Like other developers, they expect Mexico's integration with the US (helped but not *dependent* upon the proposed North American Free Trade Agreement) and rapid economic growth to fuel demand for top class office space.

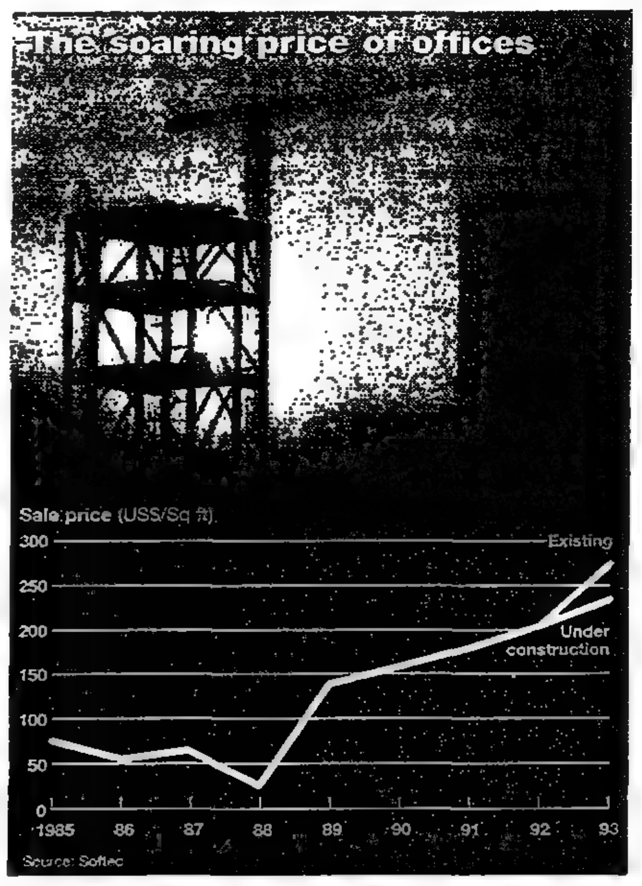
"The demand for more space and demand for international level of quality will grow rapidly," says Paul Soskolne, head of development for Reichmann International. "Top level qual*ity does not* exist in any building in Mexico. We can bring expertise to the market."

However, some developers warn that the Reichmanns may have arrived too late for *spectacular returns*, and may be too optimistic about Mexico's economic prospects. They suggest that one of their projects bears a striking resemblance to Canary Wharf, the development in London's docklands that brought Olympia & York to bankruptcy.

In anticipation of an economic upturn that has yet to materialise, Mexico has seen a construction boom for the past couple of years.

Softec, a leading property consultancy in Mexico City, calculates that the supply of top quality triple-A office space will more than double from 5.158m sq ft in 1993 to 11.545m by 1995. Vacancy rates have already increased from about 1 per cent in 1990 to 13 per cent now, and rents have started to fall.

"There is a huge over-supply of office space that will take a long time to absorb," says Mr Gene Towle, the head of Softec. "There are a lot of projects that will find themselves without tenants." Part of the problem has been low growth: *Mexico's economy is set to* grow by only 2 per cent this year, much less than originally forecast.



The Reichmanns will build a shopping, residential and office centre in an old part of town devastated by the 1985 earthquake known as Alameda; a 42-storey office tower in *Mexico City's* principal financial district, on Avenue Reforma; and a 20 acre commercial, office and residential village in Santa Fe, on the western outskirts of the city.

Both the Alameda and Santa Fe projects are considered by many developers to be risky. *Previous plans to develop Alameda* have fallen foul of local residents' complaints. Mexico is changing government next year, and without strong backing from the new Mayor of the city, the project could fail to obtain the necessary momentum.

Santa Fe – a brand new 1,600 acre commercial, office and residential zone of which the first part is already open – is about eight miles from the financial centre of the city.

As yet there are no reliable transport links connecting it to the city, and few restaurants or other secondary services have been set up.

Some developers say the project, like Canary Wharf, is too big and too far away from the centre to attract necessary demand.

Mr Juan Enriquez Cabot, the city official in charge of Santa Fe, says infrastructure will come when the development reaches a critical mass.

Unlike Canary Wharf, Santa Fe is just 10 minutes drive from the most affluent residential zone of the City, making the site convenient for executives.

Mr Reichmann said in a news conference in Mexico City that he will pre-sell offices and sites before starting construction, thus reducing the risk of being landed with unlet buildings.

The Reichmanns are looking for local partners to share the investment. Some capital may be raised by a new Reichmann/*Soros* property fund.

The crucial and uncertain factor is demand for top quality space in the future.

If Mexico's economy fails to boom, then even the most optimistic developers admit the chances of all new buildings finding tenants is slight. The country's property sector would then resemble more the *sluggish markets in the US and* UK, and less the fast-growing high margin one the Reichmanns take Mexico to be.

Canadian brothers still lured by big property deals

MR Paul Reichmann still occupies the same elegantly furnished corner office in Toronto's Exchange Tower from which he looked over Olympia & York until the world's biggest real estate developer collapsed in May 1992, writes Bernard Simon in Toronto.

As the announcement of three big projects in Mexico City shows, the man behind New York's World Financial Centre and London's Canary Wharf is *determined to re-establish his reputa*tion for eye-catching property deals.

"He's really eager to get back by 1997 to where he was in 1987," says Mr Andrew Sarlos, a Toronto investment manager who knows Mr Reichmann well.

O&Y has been in the hands of creditors since earlier this year. Only its US subsidiary, in which the Reichmann family retains a 20 per cent stake, has avoided bankruptcy protection procedure. The US unit is still trying to negotiate a debt restructuring plan with its lenders.

The Reichmanns are moving on. Mr Paul Reichmann's nephew Philip and his son-in-law Mr Frank Hauer are building a new property management company, Olympia & York Properties.

Mr Reichmann earlier this year set up Reichmann International (RI), which combines his experience in large real estate projects with the financial resources and acumen of Mr George Soros, the New York-based investor.

The two are partners in the Quantum Realty Fund, an investment fund set up last March. It recently paid $634m for a package of commercial and residential properties owned by Travelers Corp, the US insurance group.

RI is a modestly sized company, employing only a few dozen people. Besides its Toronto base, it has offices in New York and Mexico City.

Mr Reichmann's ambitions are mirrored in his new employees, several of whom had links with O&Y. Mr Leonard Chazen, head of the New York office and RI's co-chief executive, worked as a legal adviser to O&Y before becoming a partner in Tishman Speyer Properties, a large US property owner and manager. Mr Reichmann has also re-hired Mr Ronald Soskolne, a South African-born architect who led the design team for Canary Wharf and New York's World Financial Centre. Mr Peter Anderson, finance specialist, spearheaded the abortive attempt by Canary Wharf to raise money through an Enterprise Zone unit trust.

INTERNATIONAL COMPANIES AND FINANCE

Barlow Rand posts 15% decline before unbundling

By Philip Gawith in Johannesburg

IN its last report before unbundling, Barlow Rand, South Africa's largest industrial group, yesterday announced a 15 per cent decline in earnings per share to 367 cents in the year to September, from 432 cents last year.

While the results need to be seen against the background of a domestic economy in recession for four years, they provide further evidence of why the group has decided to restructure.

Since 1989, when earnings peaked at 544 cents per share, they have declined steadily to their current level, 48 per cent lower. The 1993 dividend was maintained at 173 cents per share, virtually unchanged from 170 cents in 1989.

Turnover rose only 7 per cent in 1993 – the lowest increase in a decade – to R38bn ($11.3bn) from R35.4bn. Although costs were well controlled, margins were under pressure and operating profit, before interest, fell 9 per cent to R2.5bn from R2.7bn. After-tax profit fell 7 per cent to R1.6bn from R1.7bn, but the higher portion of earnings due to minorities caused attributable income to fall 14 per cent to R721m, from R839m.

Mr Warren Clewlow, chairman, said the recession had affected virtually all markets in which the group operates, with coal group Randcoal, and Finanzauto, the Spanish caterpillar dealership, worst hit.

Of the two companies now split from Barlows, Reunert (electronics) and C.G. Smith (food, packaging and pharmaceuticals and textiles), Reunert did well to increase attributable earnings by 17 per cent to R108m, while C.G. Smith increased earnings by 7 per cent to R443m.

Mr Clewlow said three factors had caused the R18m loss at Finanzauto, the main drag on results: very poor trading conditions, restructuring, and high finance charges. Predicting an improvement, he said trading was unlikely to get worse, the restructuring had been completed, and the reorganisation of J. Bibby, the parent company, which should raise R80m to R90m, would remove, or considerably reduce, Finanzauto's debt.

Looking at the 1993 earnings in terms of the new structure, of the 364 cents (slightly lower than the actual figure because of an accounting adjustment) per share earnings, 120 cents would have been attributable to C.G. Smith, 57 cents to Reunert, 28 cents to Rand Mines, 8 cents to Rand Mines properties, and the balance, of 151 cents, to the "new" Barlows.

Turnover at the new Barlows would have been R12.3bn, compared to R11.2bn, and attributable earnings R287m, against R356m.

Mr Clewlow said he believed group earnings were sustainable, and predicted "real growth" in the coming year. The group's longer term future is closely tied to the country's levels of infrastructure spending, currently at an unprecedented low. Mr Clewlow said: "A new government has got to look at infrastructure spending, otherwise it won't be here next time round."

Sony Music earnings fall 21% at halfway

By Emiko Terazono in Tokyo

SONY Music Entertainment, the entertainment arm of Sony, the Japanese consumer electronics company, said earnings and sales fell for the first six months to September due to the lack of Japanese hit records.

Pre-tax profits for the first half plunged 21.8 per cent to Y9.9bn ($93m) on a 1.7 per cent fall in sales to Y49.9bn. After-tax profits declined 18.1 per cent to Y5.9bn.

For the full year to next March, the company is pessimistic over prospects for music hits, and projects a drop in profits and sales for the first time in 12 years. Unconsolidated pre-tax profits are expected to fall 31.6 per cent to Y17.6bn on a 6.5 per cent drop in sales to Y94.2bn.

● Teac, a leading Japanese audio equipment maker, fell into the red for the first six months to September due to the appreciation of the yen and prolonged economic slump.

The company saw a non-consolidated pre-tax loss of Y4bn, compared to a Y460m profit a year earlier. Sales fell 9.7 per cent to Y54bn, while it posted a loss of Y4.1bn on an after-tax level, against a profit of Y190m the previous year.

Teac said sales of its mainstay computer and information equipment fell 12.6 per cent from a year earlier, while exports declined 7 per cent as the higher yen undermined overseas demand.

For the full year to March, the company expects a pre-tax loss of Y6.3bn on a 12 per cent decline in sales to Y105bn.

WMC in out-of-court settlement

By Nikki Tait in Sydney

ORD MINNETT and Western Mining Corporation are paying A$20m (US$13m) to settle a court case in which it was alleged that a report by the Sydney-based stockbroker – stating that WMC's sale of a 50 per cent interest in the Lady Bountiful gold mine for A$201m was "fair and reasonable" – was negligent.

Although neither party admitted liability, the out-of-court settlement is the latest in a series of setbacks for WMC. Earlier this year, for example, the Melbourne-based mining house was forced to relinquish its interest in the valuable Ernest Henry copper/gold mine following litigation with Savage Resources. The Ernest Henry debacle also ended in a settlement, and WMC took a $20m charge in its 1992-93 accounts to cover the costs of this.

The latest lawsuit centres on the Lady Bountiful gold mine near Broad Arrow, in Western Australia. In 1984, WMC acquired a half share in the Lady Bountiful project from a small exploration company called Consolidated Exploration, and became the mine's operator. Three years later, WMC sold the stake back to Consex for A$100m in cash and 27m Consex shares – then worth about A$101m.

At the time, Consex directors commissioned an independent valuation report, for the benefit of non-WMC shareholders, from Ord Minnett. This stated that the price of the WMC stake was fair and reasonable.

However, production forecasts for Lady Bountiful, which were once put at 120,000 ounces of gold per year, were never met, and the mine was closed in 1991. Consex shares, which reached almost A$6 in 1987, slumped to a few cents.

Consex itself underwent management changes, shifting its base from Melbourne to Perth, and the new regime began the legal action which alleged that the broker was negligent in preparing the valuation report and failed to exercise reasonable skill and care. Ord Minnett joined WMC in the action, and hearings began in the Victorian Supreme Court last month.

Under yesterday's settlement, Ord Minnett and its insurers will pay A$10m to Consex, while WMC will put up a similar amount. Ord Minnett said that the broking firm is fully indemnified for the cost of the settlement. WMC's shares in Consex – which now represent a stake of around 18 per cent – will also be cancelled. The mining house said that it has already written off this stake, although it has not previously provided for any settlement costs.

Yesterday, Mr Kevin Troy, Ord Minnett's chairman, said that there was a related law suit, from a Consex shareholder, which was still outstanding. This, he said, was being contested "vigorously".

Meanwhile, in Perth, Consex said that proceeds from the action would help the company continue in the gold exploration business.

Consex shares, which had been buoyed on hopes of a lucrative victory, eased 1½ cents to 7 cents. Western Mining added 9 cents to A$5.85.

Thai telecoms group in offering

By Victor Mallet in Bangkok

UNITED Communication Industry (Ucom) yesterday became the latest Thai telecommunications group to announce an initial public offering of its shares to help finance expansion in the fast-growing Thai market.

Ucom, whose parent company is 25 per cent owned by Motorola of the US, said it planned to raise about $120m by offering 17m new shares to be traded on the Stock Exchange of Thailand in January. The new shares will account for 14 per cent of Ucom's enlarged capital.

Between 30 and 35 per cent of the shares issued will be sold to foreign investors, Ucom executives said. S.G. Warburg is lead underwriter for the foreign tranche, and a roadshow to publicise the offering starts in Hong Kong next week before moving on to London, Edinburgh, Boston and New York.

Ucom supplies telecommunications equipment to Thai clients and operates wireless communications systems. The company said it would use the money raised to finance its new digital cellular telephone concession and to develop its two-way radio business aimed at such markets as airports, construction sites and the police.

TelecomAsia, the Charoen Pokphand subsidiary which has a concession to install 2m new telephone lines in Bangkok and owns 6.25 per cent of Ucom, recently announced plans to raise at least $400m through its own partial public flotation.

Loxley, whose subsidiary Thai Telephone and Telecommunication is concessionaire for 1m new lines to be installed in the provinces, is also going public and intends to raise about $50m by selling 22.5 per cent of its shares.

Fairfax sees profit double in quarter

By Nikki Tait

JOHN FAIRFAX, the Australian newspaper and media group in which Mr Conrad Black, the Canadian media mogul, holds a minority interest, yesterday announced that profits after tax and abnormal items more than doubled in the first quarter to end-September.

The Australian group made A$38.9m (US$25.6m), compared with just A$17.4m in the same period of 1992.

This year's figures benefited from a A$13.4m "abnormal" income tax gain, and also from lower interest charges, which fell from A$14.8m a year ago to A$10.6m this time. However, earnings before interest and tax were also up by 12 per cent, at A$49.5m, while operating revenues advanced by 7.6 per cent, to A$208.2m.

In a brief statement, the company said that classified and display advertising volumes carried by The Sydney Morning Herald and by the Age in Melbourne, two of its flagship newspapers, had increased "in line with improving trading conditions".

"The increase in advertising volumes, together with rate and cover price increases, account for the increased revenues," Fairfax added.

NEWS DIGEST

S&P puts Walt Disney under review

STANDARD & Poor's, the US rating agency, has placed Walt Disney, the US entertainment group which owns 49 per cent of the troubled EuroDisneyland, on CreditWatch with negative implications. Disney's $1.2bn of long-term debt is currently rated AA-, writes Tracy Corrigan.

Moody's, the other leading US rating agency, put Disney's debt under review for possible downgrade last week, following EuroDisneyland's announcement of a FFr5.3bn loss in its first year of operation.

S&P cited the potential for a more extended period of negative cash flow and possible pressures on Disney to provide increased financial support to EuroDisneyland in debt restructuring negotiations with its bank group.

However, Disney's own operations have continued to perform in line with expectations, with "good momentum in operating cash flow", S&P noted.

Any change in rating will depend on the final outcome of renegotiations with banks and the degree of further business and financial support Disney may agree to provide. S&P added that it does not expect the senior debt rating to fall below A+.

Cool summer hits Japanese store

ISETAN, a leading Japanese department store, saw sharp falls in interim sales and earnings due to continued weak consumer confidence and the unusually cool summer, writes Emiko Terazono.

The company reported a 51.9 per cent plunge in non-consolidated pre-tax profits for the first half to September to Y654m ($6m) on a 5.9 per cent fall in sales to Y200.5bn. After-tax profits fell Y56.3 per cent to Y227m. Profits at large retailers have suffered as Japanese consumers are opting for cheaper goods available at discount retailers. All of Isetan's sales divisions saw falls in revenue. Sales of clothing, Isetan's mainstay, suffered a 6.8 per cent fall to Y92.1bn, while household goods sales declined 6.3 per cent to Y15.8bn.

For the full year to March, Isetan expects a 30.4 per cent fall in non-consolidated pre-tax profits to Y3.5bn on a 5.1 per cent drop in sales to Y430bn. After-tax profits are projected to fall 51.9 per cent to Y1.7bn.

Thai refiner slips

PADAENG Industry, the Thai zinc refiner hit by weak metal prices, reported a fall in third quarter net profit to Bt38.8m ($1.5m) from Bt174.1m last year, with net profit for the first nine months down to Bt195.6m from Bt519.4m, writes Victor Mallet. Padaeng has announced plans to expand into Vietnam, Laos and Burma to supplement declining ore supplies from within Thailand.

Power Corp up

POWER Corp of Canada, the senior holding company of financier Mr Paul Desmarais, posted third-quarter net profit of C$32.6m (US$24.8m), or 25 cents a share, against C$32.3m, or 24 cents, a year ago, writes Robert Gibbens in Montreal. Nine-month profit was C$101.9m, or 79 cents, against C$135m, or C$1.03 a share.

Sumitomo Realty tumbles 31%

By Robert Thomson in Tokyo

SUMITOMO Realty and Development, the Tokyo-based property developer, suffered a 31.5 per cent fall in pre-tax profit to Y5.1bn ($48m) for the first half, despite a 47 per cent increase in sales during the period.

The sales figure of Y190bn was boosted by sales of its land holdings, intended to reduce the company's debt and to assist in covering losses incurred by a finance subsidiary which is under reconstruction.

Eight commercial buildings were completed during the period, and another 11 are scheduled to be finished in the second half, putting pressure on Sumitomo to find tenants in a weak property market.

Sumitomo officials estimated yesterday that the company's 147 buildings had a vacancy rate of 10 per cent, compared to 7 per cent in March. It sold 368 apartments in the first half, and hopes to sell more than double that figure during the second half.

Demand for residential apartments in Tokyo has recovered this year, after three years of decline, but the vacancy rate for commercial space is continuing to rise. In areas rapidly developed during the bubble years of the late 1980s, the vacancy rate is as high as 50 per cent.

But developers which purchased land at the price peak in 1990 have been under pressure to complete projects to ensure a return on their initial investment, creating a continuing flow of building completions and increasing the pressure on commercial rents.

CONTRACTS & TENDERS

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 15, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2289.22	1538.91	909.323	1442.03
Albania	(Lek)	164.065	110.148	65.1698	103.348
Algeria	(Dinar)	35.7747	24.0179	14.2104	22.5352
Andorra	(Fr Fr)	8.75	5.8744	3.4756	5.5118
	(Sp Peseta)	204.50	137.294	81.2313	128.819
Angola	(New Kwanza)	9874.75	6629.57	3922.44	6220.51
Antigua	(E Carr $)	4.0271	2.7036	1.5996	2.5367
Argentina	(Peso)	1.48925	0.9987	0.5915	0.938
Aruba	(Florin)	2.6656	1.7824	1.0604	1.6817
Australia	(Aus $)	2.2790	1.53	0.9052	1.4355
Austria	(Schilling)	17.695	11.8798	7.0287	11.1464
Azores	(Port Escudo)	257.50	172.877	102.284	162.205
Bahamas	(Bahama $)	1.4895	1	0.5916	0.9382
Bahrain	(Dinar)	0.5625	0.3776	0.2234	0.3543
Balearic Is	(Sp Peseta)	204.50	137.294	81.2313	128.819
Bangladesh	(Taka)	58.5957	39.3158	23.2614	36.8886
Barbados	(Barb $)	2.9999	2.014	1.1916	1.8897
Belgium	(Belg Fr)	53.75	36.0859	21.3506	33.8582
Belize	(B $)	2.9830	2.0026	1.1848	1.879
Benin	(CFA Fr)	437.50	293.723	173.784	275.591
Bermuda	(Bermudian $)	1.4895	1	0.5916	0.9382
Bhutan	(Ngultrum)	46.7802	31.4133	18.5859	29.4741
Bolivia	(Boliviano)	6.5551	4.4086	2.6036	4.1291
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.5775	8.5114	5.0356	[illegible]
Germany	(D-Mark)	2.5175	1.6901	1	[illegible]
Ghana	(Cedi)	1066.42	715.958	423.608	[illegible]
Gibraltar	(Gib £)	1.00	0.6713	0.3972	[illegible]
Greece	(Drachma)	361.15	242.454	143.455	[illegible]
Greenland	(Danish Krone)	10.0475	6.7456	3.991	[illegible]
Grenada	(E Carr $)	4.0271	2.7036	1.5996	[illegible]
Guadeloupe	(Local Fr)	8.75	5.8744	3.4756	[illegible]
Guam	(US $)	1.4895	1	0.5916	[illegible]
Guatemala	(Quetzal)	8.7547	5.8776	3.4775	[illegible]
Guinea	(Fr)	1211.58	813.38	481.243	[illegible]
Guinea-Bissau	(Peso)	7457.50	5006.71	2962.28	[illegible]
Guyana	(Guyanese $)	187.05	125.183	74.0573	[illegible]
Haiti	(Gourde)	17.8988	12.0161	7.1094	[illegible]
Honduras	(Lempira)	10.3508	6.9592	4.1124	[illegible]
Hong Kong	(HK $)	11.518	7.7324	4.5750	[illegible]
Hungary	(Forint)	148.27	99.5434	58.8957	[illegible]
Iceland	(Icelandic Krona)	106.08	71.2185	42.137	[illegible]
India	(Indian Rupee)	46.7902	31.4138	18.5869	[illegible]
Indonesia	(Rupiah)	3093.55	2076.91	1228.82	[illegible]
Iran	(Rial)	2524.25	1694.7	1002.69	[illegible]
Iraq	(Iraqi Dinar)	0.46609	0.3128	0.1851	[illegible]
Irish Rep	(Punt)	1.0590	0.7109	0.4206	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL CAPITAL MARKETS

Output figures keep Treasuries on downward trend

By Patrick Harverson in New York and Sara Webb in London

LONGER-dated US Treasury securities opened the week in negative territory yesterday morning following strong industrial production data.

By midday, the benchmark 30-year government bond was down ⅛ at 100⅞, yielding 6.182 per cent. At the short end of the market, the two-year note was unchanged at 99⅞, to yield 4.109 per cent.

GOVERNMENT BONDS

Prices at the long end of the bond market fluctuated in early trading but turned decisively lower mid-morning when it became clear that there would be no follow-through from initial dealer buying. Sentiment was not helped by the news that industrial output climbed by 0.8 per cent in October.

The data was the latest set of statistics to show resurgent economic growth, and analysts said that the 0.9 per cent rise in manufacturing output was particularly noteworthy.

The figures ensured that the recent trend in bond prices – declining amid concern that an improving economy will eventually reignite inflation – was maintained.

■ GERMAN government bonds rallied following the announcement of yet more gloomy news on the economic front. Bunds were further supported by expectations that the Bundesbank will lower interest rates at today's repo.

The government's independent council of economic advisers, known as the Five Wise Men, forecast zero growth in 1994 for west Germany and a further increase in unemployment in their annual report, released yesterday morning, which provided a good bid for the Bund market early in the trading session.

News that western German wholesale prices fell 0.2 per cent in October and were down 0.6 per cent from a year earlier also supported Bund prices.

The market's attention is likely to be focused on the Bundesbank's repo, with many dealers predicting that the rate will be cut by between 5 and 10 basis points. Last week, the lowest rate on the 14-day facility was 6.38 per cent.

Mr Julian Jessop, economist at Midland Global Markets, said speculation of a 5 to 10 basis point cut was fuelled by "the fact that call money is soft and that the repo rate would have to come down accordingly" but he thought a 2 basis point cut more likely. Bund futures rallied from Friday's close of 99.78 to a high of 100.03, before slipping back to 99.84 by late afternoon.

■ THE DANISH central bank cut key interest rates by 25 basis points but the move came late in the trading session and had little initial impact on the market. However, traders expect the cut to help lift prices when the market opens today.

■ RUMOURS of a poor auction result pushed Italian government bonds sharply lower yesterday afternoon, although when the final auction details were released later on, the rumours turned out to be unfounded.

The sale of L1,500bn of 10-year paper eventually came through in line with expectations, with the net yield falling to 7.94 per cent from 7.99 per cent at the previous auction.

■ UK gilts opened on a firm note, taking their cue from other international government bond markets, but fell back after yesterday's US economic data. Dealers said that the market is waiting for the release of the UK PSBR figures today and the October retail price index tomorrow for direction.

The Liffe long gilt future rose from Friday's close of 114.22 to a high of 114.30 but traded at 114.24 by late afternoon.

■ JAPANESE government bonds opened sharply higher on the back of Friday's rally in the US Treasury bond market and the yen's strength, but drifted lower during the course of the day as domestic players took profits.

Although usually a boosting factor in the government debt market, yesterday's tumble in the Tokyo stock market – a 418.94 point fall to 18,074.61 – was largely shrugged off by the bond market.

Interest rates on three-month certificates of deposit remained low, trading at 3.32 per cent, while the call rate edged up to 3⅜ per cent, which dealers said reflected the fact that this was the end of the reserve period for the Bank of Japan.

Expectations in the markets are high that the prime minister will propose income tax cuts of between Y5,000bn and Y6,000bn later this week, to be financed by short-term bridging bonds.

The March futures contract, which opened at 114.39 after Friday's close of 114.19, fell to a low of 114.12 and ended Tokyo trading at 114.15.

FT FIXED INTEREST INDICES

	Nov 15	Nov 12	Nov 11	Nov 10	Nov 9	Year ago	High *	Low *
Govt.Secs.(UK)	103.07	102.74	102.82	102.58	102.81	94.01	103.60	93.28
Fixed Interest	123.34	123.35	123.32	123.28	123.12	118.08	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8
Gilt Edged Bargains	98.5	97.8	124.0	205.6	101.8
5-Day average	125.1	128.4	127.0	118.5	98.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.7952	-0.251	6.70	6.65	6.55
BELGIUM		9.000	03/03	113.3000	+0.300	6.93	7.03	7.10
CANADA *		7.500	12/03	105.2500	+0.250	6.77	6.85	6.70
DENMARK		8.000	05/05	111.1500	+0.300	6.39	6.46	6.42
FRANCE	BTAN	5.750	11/98	101.5216	+0.042	5.39	5.46	5.48
	OAT	6.750	10/03	105.2400	+0.150	6.03	6.13	5.90
GERMANY		6.000	09/03	101.0350	+0.085	5.86	5.91	5.87
ITALY		10.000	09/03	104.8800	-0.185	9.44†	9.54	8.85
JAPAN	No 119	4.800	06/99	109.0448	-0.188	2.92	2.88	3.24
	No 157	4.500	06/03	108.5335	-0.383	3.59	3.51	3.84
NETHERLANDS		7.000	02/03	108.3300	+0.180	5.80	[illegible]	5.81
SPAIN		10.800	08/03	114.7000	-0.400	8.59	8.89	8.55
UK GILTS		7.250	03/98	104-11	-02/32	6.10	6.15	6.13
		8.000	06/03	108-15	-01/32	6.78	6.91	6.81
		9.000	10/08	117-08	-0/32	7.11	7.25	7.17
US TREASURY *		5.750	08/03	100-17	-04/32	5.68	5.71	5.20
		6.250	08/23	100-24	+02/32	6.19	6.24	5.81
ECU (French Govt)		8.000	04/03	111.0000	+0.400	6.41	6.55	6.33

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

VW taps Yankee sector for $250m

By David Waller in Frankfurt

VOLKSWAGEN, Europe's largest manufacturer of motor vehicles, has become the first German company to access the US corporate bond market.

The move reflects German companies' growing desire to gain access to the US capital markets, the largest in the world. It follows Daimler-Benz's recent decision to seek a full listing for its shares on the New York Stock Exchange and the store group Kaufhof's move to establish a sponsored American depositary receipt programme in the US.

Volkswagen sold a total of $250m of "Yankee" debt securities last week via a two-tranche rule 144a bond offering. Such an offering allows a company to sell securities to large US investment institutions without being obliged to comply with the Securities & Exchange Commission's full listing requirements.

Mr Rutbert Reisch, VW's group treasurer said: "A full listing would require disclosures which we are not willing to make."

Daimler's decision to seek a full listing required it to publish its accounts under US Generally Accepted Accounting Principles. This move towards greater disclosure irritated other German companies, which were displeased that Daimler had reached unilateral agreement with the SEC on the the terms of a listing.

"It is not the disclosure [of our profit and loss account] which bothers us," said Mr Reisch at VW yesterday. "It is the hidden reserves. Say we get into a price war with the Japanese later in the decade: I don't want them to know just how far we can go. It is not worth a listing."

Despite the publicity surrounding Daimler's listing, the group has not yet raised any cash directly from the US market. Deutsche Bank, 28 per cent shareholder in Daimler, will be placing a 3 per cent stake worth DM1bn in the US market early next year.

Austria 30-year deal further widens German maturity range

By Antonia Sharpe

THE Republic of Austria further extended the maturity profile of the German bond market yesterday when it raised DM1.5bn through an issue of 30-year Eurobonds.

Austria's 30-year issue is part of a process which was started in August by LKB Baden-Württemberg Finance when it launched the first offering of 15-year bonds in the D-Mark sector. The issue raised DM1bn but was increased by DM500m shortly afterwards to satisfy investor demand.

Syndicate managers said that Austria's offering was well received by the market, which raised hopes that the German government and other highly-rated borrowers would follow suit.

In 1986, Germany's low inflation rate prompted its government to issue two DM1bn offerings of 30-year bonds. However, they became illiquid as changed market conditions dissuaded the government from issuing more 30-year bonds.

INTERNATIONAL BONDS

Due to the lack of benchmark German government bonds beyond 10 years, yield spreads in the Dutch government bond market are used in the pricing of long-dated D-Mark Eurobonds.

Lead manager Deutsche Bank said 30-year Dutch government bonds were yielding 56 to 59 basis points more than 10-year Dutch government bonds. In addition, Austria's D-Mark Eurobonds were yielding 8 to 10 basis points more than German government bonds.

Therefore, Austria's 30-year Eurobonds will be priced today to yield 65 to 68 basis points over the German government's 6 per cent bond due 2003.

Istituto Nacional de Industria, Spain's state industrial holding company, will launch its well-flagged $500m offering of five-year Eurobonds today. The bonds are likely to be priced to yield 37–40 basis points over US Treasuries.

Cable & Wireless is expected to raise $400m early next week through an issue of 10-year Eurobonds. The issuer is well-known among investors and although unrated, it is perceived as being double-A risk. However, the yield spread on the bonds will also reflect C&W's exposure to Hong Kong.

China Textile Machinery is due to launch a SFr35m five-year convertible bond offering today, the first by a Chinese company listed in mainland China.

China Textile, which is 50 per cent state-owned, is listed in Shanghai. The bonds, which carry a three-year put option, will be convertible into China Textile's B shares. They are likely to have a conversion premium of between 5 and 10 per cent and a coupon of between 1 and 2 per cent. If the put option is exercised the bonds will yield around 4 per cent.

● Hanson plc has launched two commercial paper programmes, one for $2bn in the European market and the other for A$400m. Drawings under the Australian programme will reduce the amount available under the European programme.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
New World Dev.(a)§	300	4.375#	100.00	Dec.2000	-	-	Morgan Stanley Intl.
Stars V(e)	90	(e)	R100.00	Nov.1998	(e)	-	Kidder Peabody Intl.
Vencemos(g)*	70	[illegible]	R100.00	Nov.1996	(g)	-	Chase Inv. Bank
D-MARKS							
Rep. of Austria(b)	1.5bn	(b)	(b)	Jan.2024	-	-	Deutsche Bank
Wuestenrot Finance	500	5.75	R100.30	Jan.1999	-	+39 (5¾%-98)	CSFB-Effectenbank
YEN							
Nissho Iwai Fin.(Cay.)(c)‡	1.8bn	(c)	101.875	Aug.2000	1.5	-	Sanwa Intl.
SWISS FRANCS							
Canton of Gallen(d)ф	270	2.75	100.00	Jan.2006	-	-	UBS
Basque Country	[illegible]	4.375	100.75	Dec.2003	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ф With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: HK$35.15. Fx: 7.724HK$/$. Callable at 104.25% in year 1; 103.40% in year 2 and 102.55% in year 3. b) Issue to be priced 16.11.93. c) Short first coupon. Coupon pays fixed 3.5% between 22.11.93 & 22.2.93 then 30bp + 6-month Yen Libor thereafter. d) Exercisable into bearer shares in CS Holding. e) Issue of mortgage-backed structured term securities and amount includes $18m of zero coupon participating notes. Coupon pays 100bp + 3-month Libor. Fees Undisclosed. g) Fees undisclosed.

Swaps market may be bigger than estimated

By Tracy Corrigan

THE SWAPS market may be substantially larger than is generally recognised, according to a survey of the world's leading derivatives dealers by Swaps Monitor, a New York-based publication.

The survey says the size of the market stood at more than $7,000bn at the end of 1992, substantially higher than the widely-quoted estimate of $4,500bn given by the International Swaps and Derivatives Association (ISDA), the industry's trade group.

The Swaps Monitor survey took the ISDA figure as a base and added the volume of swaps by non-ISDA members and by ISDA members who did not participate in the survey. The total is made up of $6,000bn in interest rate swaps and $1,100bn in currency swaps.

Based on these figures, the capital requirement under BIS rules for the world's commercial banks is estimated at $4bn for interest rate swaps and $3bn for currency swaps.

The survey also used company results to rank the amount of swaps outstanding on financial institutions' balance sheets (although variations in accounting standards mean that banks from some countries, such as Japan, may be under-represented).

According to the survey, JP Morgan has the highest level of outstanding swaps, at over $450bn, followed by Paribas and Chemical. Of the top 10 dealers, seven are American and three French.

Barclays, the largest UK participant in the swaps market, comes eighth in the table for interest rate swaps with $247bn.

The 10 largest dealers in interest rate swaps account for 49 per cent of the total while the 10 largest currency swap dealers account for 40 per cent, according to the survey.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 15

[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	5	16
Other Fixed Interest	2	1	12
Commercial, Industrial	216	312	894
Financial & Property	159	164	505
Oil & Gas	16	23	40
Plantations	0	1	6
Mines	15	63	61
Others	31	66	42
Totals	496	[illegible]	1,576

LONDON RECENT ISSUES

EQUITIES

[illegible]					

RIGHTS OFFERS

[illegible]					

TRADITIONAL OPTIONS

● First Dealings Nov. 8
● Last Dealings Nov. 19
● Last Declarations Feb. 10
● For settlement Feb. 21

3-month call rate indications are shown in Saturday editions.

Calls: Aegis, Avesco, Betterware, Bibby (J), BTR Wts, Charles Sidney, Cluff Res., Crockfords, Hanson Wts., Kewill Systems, Ladbroke, MR Data, Medeva, Oriflame, Pacer Systems, Raine Eng. Puts & Calls: Alders, BT Pt.Pd., Lloyds Bank, Morrison (Wm.).

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]					

November 15 Total Contracts 30,291
Calls 18,871 Puts 11,420
FT-SE Index Calls 6,585 Puts 5,839
Euro FT-SE Calls 2,370 Puts 739
*Underlying security price. †Long dated expiry months.
Equity premiums are based on closing offer prices.
Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Nov 15	Day's change %	Fri Nov 12	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.87	+0.04	129.82	2.04	10.03
2	5-15 years (23)	157.02	+0.09	156.87	1.92	11.56
3	Over 15 years (9)	179.22	+0.18	178.90	2.80	10.04
4	Irredeemables (6)	208.18	+0.66	206.82	0.62	13.47
5	All stocks (61)	162.61	+0.10	162.46	2.11	10.93
	Index-Linked					
6	Up to 5 years (2)	188.38	+0.04	188.21	0.61	4.28
7	Over 5 years (11)	187.05	+0.20	186.67	1.01	4.29
8	All stocks (13)	186.47	+0.19	186.12	0.97	4.27
9	Debs & Loans (68)	144.15	+0.30	144.11	1.87	10.14

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 15	Fri Nov 12	Year ago (approx.)
	British Government				
1	Low	5 years	6.08	6.08	7.12
2	Coupons	15 years	6.97	6.99	8.28
3	(0%-7¾%)	20 years	7.07	7.10	8.52
4	Medium	5 years	6.32	6.34	7.43
5	Coupons	15 years	7.10	7.11	8.69
6	(8%-10¾%)	20 years	7.14	7.16	8.90
7	High	5 years	6.46	6.47	7.68
8	Coupons	15 years	7.30	7.32	8.96
9	(11%-)	20 years	7.32	7.34	9.07
10	Irredeemables(Flat Yield)		7.28	7.25	8.85
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.32	2.33	2.39
12	Inflation rate 5%	Over 5 yrs.	3.14	3.18	3.75
13	Inflation rate 10%	Up to 5 yrs.	1.55	1.58	1.55
14	Inflation rate 10%	Over 5 yrs.	2.98	2.99	3.56
15	Debs &	5 years	7.58	7.62	8.85
16	Loans	15 years	8.08	8.08	9.93
17		25 years	8.20	8.24	10.11

Japanese group plans capital injection into insurance market

Yasuda to invest in Lloyd's

By Richard Lapper

PLANS TO introduce corporate capital to Lloyd's of London received a further boost yesterday when Yasuda Fire and Marine Insurance, Japan's second and largest insurance group, announced it was intending to invest money in the insurance market.

The news came amid further indications that the limit of UK institutional and retail investment interest in Lloyd's plans has been reached, when two investment trusts - New London Capital and CLM Insurance Fund - announced they had raised less capital then expected.

Yasuda will invest £1.5m (the minimum possible under Lloyd's rules) in its own corporate fund, committing £3m to eight Lloyd's syndicates managed by the Wellington, Murray Lawrence and Kiln managing agencies. Kiln Cotesworth Members Agency will advise the Japanese on syndicate selection. It is understood that the syndicates will tend to be those which already have Japanese business links.

"Yasuda has been trading with Lloyd's for many years and considers that the introduction of corporate capital provides an excellent opportunity to reconfirm our support and long-term commitment to this important market," said Yasuda.

"Although modest in size the investment has immense importance in strategic terms," said Mr Andrew Fleming-Williams of RJ Kiln. Kiln Cotesworth is also working with Cazenove and Baring Brothers on a £10m investment trust.

New London Capital, the investment trust sponsored by SG Warburg, published its listing particulars but announced that only £60m had been placed with institutions, compared with an original target of between £100m and £150m.

Mr Bruce Schnitzer, chairman, conceded that the company was "smaller than we would have ideally liked."

New London, which is advised by Chartwell Advisers, a subsidiary of Chartwell Re Corporation, will raise £60m before expenses by issuing 60m shares at a price of 100p. Minimum subscription is for 20,000 shares. The trust will provide up to £105m of underwriting capacity to approximately 20 syndicates.

Separately, CLM Insurance Fund, the investment trust sponsored by Barclays de Zoete Wedd, announced that only 6.2m of the 30m shares available under its offer for subscription had been sold, raising more than £6m. CLM had earlier reduced the size of its placement with institutions, raising £80m, compared to an earlier target of £200m.

BZW took a 15.01 per cent stake in the fund, subscribing for 12.94m shares.

Mr Jeremy Mead, a director of BZW, conceded that "we would have hoped for a little more, but there has been a lot of competition for public funds."

Telegraph advances to £38.7m

By Andrew Bolger and David Blackwell

THE TELEGRAPH newspaper group said it had seen little sign of recovery from recession and promised to match price-cutting by competitors with even more active promotion of its daily and Sunday titles.

The group's pre-tax profit increased by 28 per cent to £38.7m in the nine months to September 30, excluding the £6.5m profit on the investment in Trinity International Holdings. Turnover increased by 7 per cent to £188.3m.

Circulation, which accounted for 47 per cent of total newspaper revenue, had held up well "in spite of severe price cutting elsewhere in the market."

In September, News Corporation cut the weekday cover price of The Times from 45p to 30p. The Daily Telegraph's weekday price remains 48p.

The Daily Telegraph sold 1.01m copies a day in September, down from 1.05m copies last year. The Sunday Telegraph's circulation edged ahead from 590,000 to 591,000.

The figures suggested that its strategy of increased promotion and the offer of enhanced reader value would "maintain the position of The Telegraph's titles in the quality newspaper market."

Advertising revenue was 6 per cent ahead, with improvements in display advertising and, more recently, financial advertising. The classified recruitment market was flat.

The share of associates' profits rose from £3.8m to £8.2m, mainly reflecting an improvement at John Fairfax Holdings, the Australian publisher in which The Telegraph's interest rose from 15 to 20 per cent.

Yesterday the Telegraph said it had exercised all its outstanding options to acquire shares or non-voting convertible debentures in John Fairfax. By the end of the year, the Telegraph expects to hold 25 per cent of the company.

Third quarter profits from Southam, the Canadian newspaper group in which the Telegraph has a 9.36 per cent stake, "continue to move in the right direction," the group said. It does not expect to see a sizeable return on its $87m investment this year, but "we are confident that Southam offers potential for 1994 and beyond."

Earnings per share were ahead from 15.7p to 19.3p.

Fairfax results: See ICN

Swithland flotation plans scuppered

By Catherine Milton

PLANS to float Swithland Group, the Midlands-based new and used car retailer, have lapsed after an attempt to place the company's shares with institutions failed.

The shares were priced at 81p each and the company would have been valued at about £21m.

The placing was not underwritten.

It was conditional on a minimum of 48 per cent of 18.5m shares to be placed, or 67 per cent of the 28.4m total share capital, being placed by November 12.

It is not known how many shares were placed.

The company could not be reached yesterday but former sponsors, Ionian Corporate Finance, said: "The position is that Swithland Group has withdrawn its application to the London Stock Exchange for the ordinary share capital to be admitted to the Official List."

Swithland will issue a statement in due course. Ionian added that it had ceased to act for Swithland Group.

It is thought that adverse press comment about the company is being blamed for the lack of institutional interest in the stock.

Third quarter increase for ADT

By Paul Taylor

ADT, the security and car auction group which does much of its business in the US but retains a UK quote, yesterday reported a 10.5 per cent increase in third quarter pre-tax profits but a slight decline in earnings per share.

The Bermuda-registered group announced pre-tax profits of $36.9m (£24.4m) in the three months to September 30, up from $33.4m, on sales ahead 4.8 per cent to $354.9m ($338.5m). This boosted the profit figure for the nine months to $105.6m against $109m.

However, a higher $5.4m ($2.5m) tax charge at three months, coupled with the issue of 20.7m new shares as part of the August refinancing package, resulted in a fall in earnings per share from 24 cents to 22 cents. Nevertheless, ADT's share rose 3p to close at 603p.

Mr Michael Ashcroft, chairman and chief executive, said ADT's businesses "continued to perform in line with management's expectations".

The main increase in operating profits came in the security services division which reported operating income of $39.1m ($36.9m) on sales which increased to $231.3m ($225.3m).

In North America a further 37,000 new residential alarm systems were sold during the third quarter, representing a 26 per cent increase over last year.

Commercial sector sales were stronger in the US Midwest, south-east and western regions with some signs of improvement in the north-east and mid-Atlantic regions.

In Canada, however, the directors said that business was unlikely to be up to expectations until there were more positive signs of an economic upturn.

Operating profit in the vehicle auctions division dipped to $15.1m ($15.8m) although sales increased to $84.4m ($80.2m).

The number of vehicles consigned to ADT auctions in the US rose by 20 per cent over the 1992 period while in the UK the volume of vehicles sold increased by 7 per cent. Exchange rate movements, however, meant that the contribution from the UK in dollar terms fell.

ADT's other expenses, less income, figure moved from a net expense of $6m in the third quarter last time to a gain of $200,000, more than offsetting an increase in net interest.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ascot, BOC, CML Microsystems, Capital House Intl Growth, European Motor, FKI, Foreign & Col German Inv, Kembrey, Marshalls, Wood (SW).

Finals- Ferraris, Moran, Tepnel Diagnostics.

FUTURE DATES

Interims-	
ABI Leisure	Nov. 24
Argyll	Dec. 1
Assoc Nursing	Nov. 29
Creighton's Naturally	Dec. 7
Hewetson	Nov. 22
Readicut Intl	Nov. 25
Tems (John)	Dec. 7
Vega	Dec. 6
Finals-	
API	Dec. 6
Dundee & London Inv Tst	Nov. 30
Millwall	Nov. 17
Scottish Inv Tst	Nov. 26

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Airways	int	3.18†	Jan 31	3.06	-	10.6
British Steel	int	0.5	Jan 17	nil	-	1
Critchley	int	2.6	Feb 4	-	-	4.6
Fenner	fin	nil	-	2.5	nil	4.2
Renold	int	0.7	Jan 28	nil	-	1
Sidlaw	fin	6.25†	Feb 4	6.25	10.5	10
Vibroplant	int	1.22	Jan 10	1.22	-	2.5

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Scottish bus-maker en route to new stage of life

James Buxton reports on Walter Alexander

THE UK bus building industry has been a turbulent place in the past decade. But Walter Alexander, the privately-owned Scottish bus maker, is one of the survivors.

Its sales should rise by 55 per cent this year to £47m and profits are growing.

Alexander, one of the familiar names in UK bus building, is based at a large plant on the outskirts of Falkirk in central Scotland, where it was founded in 1924. It also has a plant in Belfast.

In 1990 the Alexander family pulled out and the Walter Alexander group, then a mini-conglomerate, ceased to be quoted on the Stock Exchange. It was sold for £32m to Spotlaunch, a syndicate formed by Granville, the venture capital group. Mr Ian Galloway, an experienced manager in large engineering companies, came in to run the bus building subsidiary.

At the time he believed the task was just a matter of improving the company's efficiency and waiting for the market to improve. But the bus market fell by 21 per cent between 1990 and 1991 because of recession and Mr Galloway had to cut Alexander's Falkirk workforce from 763 to 525, many of whom were put on a three or four day week. The possibility of closure loomed.

The bus market had been devastated in the mid-1980s by the government's deregulation of bus services and the privatisation of bus companies.

Orders for single and double deck buses collapsed as bus operators extended the working life of their vehicles and ordered new mini- and midi-buses, which Alexander was slow to start making. In 1990 recession came just as orders were beginning to recover.

Alexander's recovery began when the company launched a new midi-bus in 1991 and won an order for the first 255 vehicles from Stagecoach, the Perth-based company which is one of the biggest groups in the privatised bus industry. The order enabled Alexander to end short time working. Since then staff numbers have risen to over 700, plus 220 in Belfast.

The group rebuilt its export sales with orders for large buses from Hong Kong and last year gained an order for 200 double deck bus kits from Singapore.

Exports now account for about half its £50m order book and most are in the form of kits for local assembly.

In April 1992 Mr Galloway led a £7.4m management buy-out of Alexander from Spotlaunch, backed by Standard Life and other institutions, including Granville. But profits are still small, with pre-interest profit of £925,000 last year, expected to reach £1.6m this year. A £2m profit is expected for 1994.

Alexander now claims to be the UK market leader with a 32 per cent share of the domestic bus market, as well as being the only UK bus manufacturer to export. Mr Galloway feels things will improve for surviving British makers.

Although the tail end of privatisation may cause further disruption to the market, the new private operators are becoming more mature and are following consistent ordering policies.

Stagecoach was floated on the Stock Exchange in the spring and Badgerline is now coming to the market. They have been the two biggest purchasers of Alexander buses in the past two years.

Mr Brian Souter, chairman of Stagecoach, has said that for every new bus the company buys its operating costs go down by £6,700 a year because of greater fuel and maintenance efficiencies.

Having had three years of organic growth, Alexander would like to expand in continental Europe by acquisition.

"We would like to get a little bigger before we move to the next stage of our gameplan, which is a Stock Exchange flotation," says Mr Galloway. The company is aiming at a float in late 1994 or early 1995.

Fenner omits dividend after drop to £315,000

By David Blackwell

FENNER, the Hull-based industrial products group, is omitting its dividend after a sharp fall to £315,000 in pre-tax profits for the year to August 31.

The outcome compared with profits of £5.5m last year, when total dividends amounted to 4.2p. Operating profits before exceptional items fell from £11.3m to £9.6m.

Exceptional charges of £7.92m mainly comprised restructuring costs in the power transmission business but also included £1.2m for an aborted merger earlier this year.

The figures were in line with the company's estimate published in September at the launch of a rights issue, which, coupled with a 5 per cent share subscription by European Strategic Investors, raised a net £19.8m.

The fall in operating profits reflected an operating loss of £1.8m in power transmission, which accounted for £69m of total turnover of £201.6m (£196.6m). Fenner is negotiating to sell the division, which traded profitably in the second half, although no announcement is expected before the end of the year.

Mr Mark Abrahams, finance director, said yesterday that the conveyor belt division had come through a tough year extremely well. The loss in business to British Coal had been replaced by exports.

The fluid power division performed well in the US and the polymer business made operating profits of £4m on turnover of £30m.

Net interest payable dipped from £3.91m to £3.62m. Net borrowings were up from £23.2m to £26.2m. Following the rights issue pro forma gearing was down from 54 per cent to 10 per cent.

The results also include a contribution of £636,000 from Fenner India and £1.6m from the sale of Fenner Industrial Controls in the US.

Losses per share were 7.86p, compared with earnings of 0.1p. Excluding exceptionals, earnings would have been 6.83p (5.08p).

Exchange makes first changes to new FT-SE Actuaries indices

By Richard Gourlay

THE STOCK Exchange yesterday made the first changes to the proposed new FT-SE Actuaries share indices which will become effective from January 4 next year.

By changing the name of certain sub-sectors and removing another, the Exchange is likely to have appeased many of the most vociferous critics of the classifications.

Out goes the Copper Mining sub-sector, incorporated into the Other Mineral Extractors and Mines sub-sector of the Extractive Industries sector, which deals with the misgivings of RTZ, the diversified mining company.

The Conglomerates sector is now to be called Diversified Industrials, thereby removing a point of contention with BTR, the industrial holding company.

Rank Organisation, the diversified leisure and office products group which was among the most distressed by its earlier classification, moves from the provisional Office Machinery sub-sector to Leisure.

Classification of Inchcape, the motors and business services group, remains the biggest outstanding issue. Its position will be studied by the Stock Exchange's classification committee when it meets again on the next two Mondays.

Inchcape had asked to be put in the Conglomerates sector.

After the review, all 2,376 listed and USM-quoted companies will have been found new homes within seven economic groupings, 40 sectors and 76 sub-sectors.

Companies are allocated to a sector according to the business area from which they derive the majority of their profits.

Also on the move are Morgan Crucible and Glynwed International - both from Building Materials to Engineering Diversified; Charter and Cookson go from Building Materials and Chemicals Speciality respectively to Diversified Industrials.

The Print Services sub-sector is renamed Printing and moves from the Support Services sector to Paper & Packaging which has been renamed Printing, Paper & Packaging.

Retailers, Multi-Department and Retailers, Chain Stores have been merged to form Retailers, General Sector. Multi-Department and Chain Stores will be sub-sectors.

The Retailers, Vehicle Distributors Sector is disbanded and Vehicle Distributors becomes a sub-sector of the Distributors Sector.

Sector and sub-sector name changes

Sector number	Previous Name	New Name
21	Building Contractors	Building & Construction
24	Conglomerates	Diversified Industries
32	Distillers & Wines	Spirits, Wines & Ciders
36	Medical Ancillaries	Health Care
66	Telephones	Telecommunications

Sub-Sectors number	Previous name	New name
295	Other Textiles	Diversified Textiles
514	Rubber Plantations	Plantations

Company sector changes

Company	from sub-sector	to sub-sector
Bardon Group	125 Other Mineral Extractors & Mines	222 Building Materials
Barlo Group	222 Building Materials	240 Diversified Industrials
Charter	222 Building Materials	240 Diversified Industrials
Cookson Group	234 Chemicals, Speciality	240 Diversified Industrials
East Rand Gold & Uranium	129 Mining Finance	123 Gold Mining
Expamet Int	222 Building Materials	265 Engineering Diversified
Glynwed Int	222 Building Materials	265 Engineering Diversified
Greenway Hldgs	160 Oil, Integrated	516 Other Business
How Group	210 Building & Construction	265 Engineering Diversified
Kershaw (A) & Sons	269 Instruments, Tools & Mechanical Handling Equipment	255 Office Machinery
Metsec	222 Building Materials	265 Engineering Diversified
Morgan Crucible	222 Building Materials	265 Engineering Diversified
NSM	210 Building & Construction	125 Other Mineral Extractors & Mines
Rank Organisation	255 Office Machinery	422 Leisure
Simon Engineering	165 Oil Services	414 Distributors Other
Victaulic	222 Building Materials	262 Engineering Fabricators
Wescol Group	210 Building & Construction	262 Engineering Fabricators

Sales surge but underlying margins static in oil services

Sidlaw edges ahead to £11m

By Catherine Milton

PRE-TAX profits at Sidlaw, the Scotland-based packaging, oil services and textiles company, rose just 5 per cent to £11.1m in the year to September 30 in spite of an 87 per cent increase in turnover.

Sales rose to £172.9m (£92.5m), benefiting by about £60m from an extension of the company's supply chain management business for leading oil companies.

In October last year Sidlaw moved into fees-based chartering and managing standby and supply vessels.

The company books all the revenue on each transaction. Sidlaw said underlying margins in the oil services division were static at 20 per cent.

Oil services sales rose to £94.5m (£33.7m) giving operating profits of £7.25m (£6.7m).

The profit here included a small loss of £342,000 in the Supplylink joint venture set up last year to offer logistics services internationally.

Drilling support work declined to about 20 per cent (24 per cent) of sales, due partly to changes in the industry's tax structure. This figure would always vary, the company said.

Sidlaw's packaging division saw sales ahead at £54.1m (£35.5m) giving operating profits of £4.72m (£3.85m).

Sidlaw acquired Courtaulds Flexible Packaging just before its year end for £78m, funded partly by a £53m rights issue and partly through borrowings.

The move doubled the size of the company and took Sidlaw firmly into continental Europe.

"Although it is early days with Courtaulds Flexible Packaging, we feel that we are making good progress," said Mr Digby Morrow, chief executive.

The textiles division improved sales to £24.3m (£23.3m) giving operating profits of £564,000 (£833,000).

Interest charges rose to £1.54m (£1.17m) and gearing to 73 per cent (29 per cent), lifted by the acquisition.

Net borrowings were £43.4m (£11.4m) at the year end.

A proposed final dividend of 6.25p lifts the total from 10p to 10.5p on the enlarged share capital.

Earnings per share slipped to 20.3p (20.9p).

● COMMENT

Any company confronting the aftermath of a substantial acquisition during a period of economic difficulty may find profits more elusive than expected in the short term. Sidlaw, itself, believes the Spanish and French economies will remain weak for at least another year and is more confident than some about the stability of its main market, the UK. However, the company's recent reclassification could lift the shares as they move into the ambit of those with an appetite for packaging stocks. Analysts' forecasts for pre-tax profits are pitched at about the £18m mark putting the shares on a prospective multiple of 13.9. This looks cheap against the packaging sector, reflecting Sidlaw's newcomer status.

Vibroplant shares dip after 27% fall

By Peter Pearse

VIBROPLANT yesterday reported a 27 per cent fall in pre-tax profits, from £2.03m to £1.48m, for the six months to September 30.

Mr Jeremy Pilkington, chairman of the plant hire group, described the outcome as "not terribly satisfactory" and "a disappointing performance".

The shares fell 10p to 89p.

However, Mr Pilkington said that continuing strong cash flow had further reduced borrowings to £27m-£28m (£32m), bringing gearing down from 58 per cent to 46 per cent.

He estimated it would fall below 40 per cent at the year-end.

Capital expenditure grew to £6m (£4m) in the half.

The interim dividend is held at 1.22p, payable from earnings of 2.08p (2.93p) per share.

Behind the profits decline lay a slump in pre-tax profits from the US operations to just £62,000 (£810,000), while in the UK they rose to £1.42m (£1.22m).

Mr Pilkington said that dollar revenues were down 10 per cent, but that translated into sterling they advanced 4 per cent.

One factor in the US decline were costs of $300,000 (£199,000) relating to closures in the Mid-West last time.

However, the main transatlantic problem continued to be California, where prices in hire businesses across the board had fallen some 25 per cent due to recession in the construction, defence and aerospace industries.

"So long as we have no losses in the region, we don't want to throw the towel in," Mr Pilkington said.

In the UK, trading conditions continued to be poor, and the profits rise derived from falls in depreciation to £3.38m (£3.73m) and in interest payable to £228,000 (£614,000). Trading profits were down at £5.03m (£5.57m).

The UK side has been refocused into six specialist businesses, a move designed to encourage managers to "stay close to their markets" and to promote product innovation. Prices have been "a little better", said Mr Pilkington, and bad debts, which in the last full year were 4 per cent of turnover, were now "usefully below 3 per cent".

Alphabet Event Hire, the toilets and corporate hospitality unit hire company which made losses last year, had a busier summer and costs have been cut with its back office moving into Vibroplant's Harrogate head office.

Group turnover edged ahead to £36.9m (£36.2m).

North West Water £15m contract

North West Water offshoot, Water Engineering, has won a further contract from the Macau government for work on the peninsula. The £15m design and build contract is for a sludge treatment plant. Water Engineering is partnered by Portuguese civil engineering groups Teixeira Duarte and SC Soares Da Costa.

GRE buys US motor insurer for $100m

By Richard Lapper

GUARDIAN ROYAL Exchange, the insurer, yesterday made its biggest acquisition for more than four years, paying $100m (£65m) to acquire American Ambassador Casualty, a Chicago-based motor insurance company, from Allianz, the German insurer.

The deal, subject to the approval of US regulators, increases GRE's exposure to the specialised non-standard motor insurance market in the US. "It demonstrates GRE's commitment to controlled growth in selected markets," said Mr Jim McDonough, international director.

American Ambassador complements GRE's Globe American subsidiary in Ohio, which also specialises in non-standard risks such as older drivers, specialist cars or drivers with poor records. The two businesses are in geographically close locations but have little territorial overlap.

American Ambassador achieved gross premium income of $88m in 1992 and a pre-tax profit of $16m. The company has produced an underwriting profit for each of the last five years and net assets were $81m at the end of 1992. Premium income at Globe amounted to £39m.

After the deal GRE will derive 11 per cent of its insurance income from the US, an increase of more than a quarter. The cash consideration is being met from existing resources and will reduce GRE's net asset value per share by about 1p. Its solvency ratio, 55 per cent at June 30 1993, will be reduced to 53.5 per cent.

Queens Moat shareholders establish fighting fund

By Michael Skapinker, Leisure Industries Correspondent

A GROUP of Queens Moat Houses shareholders has set up a fighting fund and nominated three representatives to argue on their behalf at the annual meeting on November 29.

The three are Mr Anthony Beaumont-Dark, the former Conservative MP, Mr Denis Woodhams, who ran a Queens Moat hotel in Stratford-upon-Avon, and Mr Peter Bruton-Phillips, a solicitor.

The QMH Shareholders' Action Group is urging supporters to fill in proxy forms for the meeting in favour of one or more of the three.

The group is asking shareholders to contribute 2p a share to a fighting fund. It said it needed to take the advice of senior lawyers, property valuation experts and accountants to ensure that shareholders' interests were not overlooked in any restructuring.

It was particularly concerned that any debt for equity swap would dilute shareholders' interests to an unacceptable level.

Although it recognised the importance of retaining the goodwill of creditor banks, the group claimed insufficient attention was being paid to shareholders' interests.

Anthony Beaumont-Dark: banks are not innocent victims

The group said yesterday that the initial response to the fighting fund proposal had been positive. It added that it was taking legal advice on the rights of shareholders.

The group is considering putting Mr Beaumont-Dark forward as a non-executive director. Mr Beaumont-Dark said yesterday: "The banks, and one understands it, are protecting their own situation. But people feel other interests ought to be looked to as well."

He added: "The banks have a certain responsibility. How well did they check before lending money? They're not just innocent victims. The people who are the most innocent are the shareholders."

Mr Michael Heseltine, trade and industry secretary, last week appointed inspectors to investigate the group, which is talking to creditor banks about refinancing its £1.18bn debt.

NEWS IN BRIEF

INTERCARE GROUP has paid £95,000 in cash and shares for Optimed, a supplier of medical equipment to hospitals. Some £20,000 of the £45,000 cash consideration is subject to Optimed's 1994 results.

PEGASUS has entered into an agreement to acquire the business and assets of Sequel Systems, an accounting software product, for £786,000 in cash and shares.

SIMON ENGINEERING, through its Simon-Macawber offshoot and its contract management partner, ATSI of Buffalo, New York, has won a $16.6m (£11m) contract from Bethlehem Steel Corporation, Pennsylvania for the Simon-Macawber/British Steel coal injection system.

SPIRAX-SARCO Engineering has announced that the reference price in respect of the enhanced scrip dividend alternative is 348.44p. Accordingly the UBS cash offer price is 341.47p. Elections were received for the enhanced scrip in respect of 72.9m shares (97 per cent), out of which acceptances of the UBS cash offer were received for 8m shares.

TAKARE has received acceptances in respect of about 96.2 per cent of the shares offered under the rights issue.

Tadpole swims back into the profits stream

By Alan Cane

TADPOLE Technology, the high technology electronics group, turned a £1.7m loss into a £749,000 pre-tax profit and almost doubled sales in its first year after moving to the main market.

The company warned, however, that it was likely to raise fresh capital from new and existing shareholders next year, further to strengthen the balance sheet and fund growth.

Mr George Grey, Tadpole's co-founder and chief executive, said he did not believe the company would be forced to raise new money but it would be prudent to do so.

The shares fell 10p to 279p.

For the year ended September 30 sales expanded 83 per cent from £12.5m to £22.9m. Earnings per share were 3.5p compared with losses of 16.5p a year earlier. In keeping with the practice common to most US-based high technology stocks, no dividend will be paid.

Tadpole has its principal offices in Cambridge, and Austin, Texas.

The profit figure was helped by net interest payments of only £53,000 this year compared with £256,000 in 1992.

The company has net cash of just over £1m. Net assets are now £3m compared with £1m last year while the accumulated deficit is £2.45m (£2.84m).

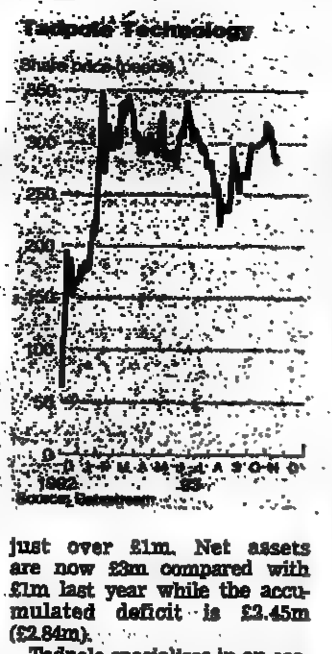
Tadpole specialises in an esoteric area of electronics involving the manufacture of high specification printed circuit boards and notebook computers which compress the power of advanced workstations into portable form.

Mr Grey said that most of the improvement in revenues was the result of increasing sales of Sparcbook notebook computers based on Sun Microsystems most powerful microprocessor.

The Sparcbook business grew by over 400 per cent during the year, despite shortages of key components including monitor screen and disk drives.

The component problem had been solved and next year IBM would be launching a notebook computer designed and manufactured by Tadpole based on IBM's Power PC chip, Mr Grey said.

Tadpole Technology



Source: Datastream

■ COMMENT

Tadpole is reaping the benefits of heavy investment in engineering and marketing. It is still, however, an early stage in the development of the Sparcbook market. The IBM portable workstation is an attractive proposition but it will not be until the middle of next before it will be possible to judge whether the company justifies its historic p/e of 79.7. Analysts are estimating pre-tax profits of about £5m for next year. The company plans a Nasdaq ADR listing. Should Tadpole's notebooks achieve their anticipated success, US interest could boost the share price substantially if Micro Focus' experience is any guide.

Renold resumes interim after jump to £2.4m

By David Blackwell

RENOLD, the chain and gear manufacturer, yesterday resumed interim dividend payments as pre-tax profits trebled to £2.4m for the six months to October 2.

Mr David Cotterill, chief executive, said the company was starting to reap the benefits of its £33m capital investment programme between 1989 and 1992.

However, while there was some improvement in UK and US markets, there were no signs of recovery in Europe. The company, Europe's biggest chain-maker, would continue to look for higher margins and new business opportunities.

The shares rose 9p to 108p yesterday.

Profits were struck on turnover of £65.4m, up 12 per cent from a previous £58.4m, largely reflecting sterling's devaluation. At constant exchange rates the gain was 2 per cent.

The result also included a £500,000 charge for redundancies following a 10 per cent reduction in the German labour force. The company now employs a total of 2,600 people, down from 4,000 in March 1989.

The chain division, which accounts for 60 per cent of the group's business, increased profits in the UK. Cost reductions in Germany helped the business to withstand the severe recession there.

Mr Cotterill said the gears business had "a horrible year" in 1992-93. The Milnrow gears business had now returned to profit in the UK.

Holroyd, which makes rotors used in air conditioning and refrigeration, was "doing very well".

Net borrowings fell from £14.7m to £10.1m, giving gearing of 19 per cent (28 per cent). Interest payable eased to £800,000 (£1m).

The tax charge fell from 39 per cent to 21 per cent, reflecting the fact that much of the profit increase was earned in the UK, where tax losses are available. Earnings per share more than quadrupled from 0.7p to 2.9p.

The interim dividend of 0.7p compares with last year's total of 1p.

Renold recently raised £400,000 from the sale of its interests in two small loss-making businesses.

Improved margins behind 26% advance at Critchley

By Paul Taylor

CRITCHLEY GROUP, the electrical cable accessories manufacturer which came to market a year ago, yesterday reported a 26 per cent increase in interim pre-tax profits, bolstered by the £1.6m acquisition in May of BT's Label Centre business.

Pre-tax profits increased to £1.6m (£1.27m) in the six months to September 30 on turnover ahead 23 per cent to £13.8m (£11.2m), including a £1.61m five month contribution from Critchley Label Centre.

On a like-for like basis turnover increased by 9 per cent.

Operating profits, including £142,000 attributable to Critchley Label Centre, rose to £1.55m (£1.28m), reflecting an overall improvement in margins, particularly overseas, and tight control of costs.

"Critchley has made good progress during the six months with an improved contribution from all divisions," said Mr Ian McCallum, chief executive, "in particular we are pleased with the progress of the Critchley Label Centre, our first acquisition since going public."

The core cable accessories and identification business reported a 22 per cent increase in sales to £10.1m (£8.2m), mainly reflecting the new acquisition and a 28 per cent increase in direct exports which helped offset the flat UK market.

Excluding the acquisition, the business reported a modest 3 per cent increase in sales, held back by the discontinuance of two groups of low-margin factored products. Like-for-like sales grew by 8 per cent.

Critchley Wound Components, which manufacturers coils and transformers for circuit boards, increased sales by 22 per cent to £2.24m while Critchley Enclosures lifted sales by 27 per cent to £1.45m (£1.14m) and moved back into profit.

The group ended the first half with net cast of £2.4m.

Fully diluted earnings per share increased by 7 per cent to 9p (8.4p) and a maiden interim dividend of 2.6p is declared.

Sharp downturn at Colorgen

Profits before tax of Colorgen, the US-based colour matching specialist traded on the USM, fell from $928,000 to $407,000 (£273,000) for the year to end-June. Income from operations at $1.04m ($921,000) was in line with forecasts in August.

Sales improved to $14.2m ($11m) but operating costs rose to $5.92m ($4.64m). Earnings were 1 cent (5.5 cents).

Cullen's back in black

CULLEN'S Holdings, the grocery retailer, returned profits of £18,000 pre-tax for the half year ended August 29, compared with previous losses of £16,000.

Gross profits rose by £173,000 to £381,000. The improvement reflected a combination of tighter controls on margins and costs in the Neighbourhood Food Stores division and the elimination of losses connected with new site developments.

There was also a £78,000 contribution to profits arising from a surplus on the sale of properties.

The network gross turnover improved by 15.7 per cent to £12.6m. The Neighbourhood Food Stores division increased profitability by 32 per cent. Earnings per share emerged at 0.1p (losses 0.1p).

NEWS DIGEST

Blick shares up on rights success

SHARES IN Blick, the communications systems and time products company, advanced 15p to 445p yesterday following the announcement that its rights issue had been taken up in respect of 97.9 per cent of the shares on offer.

The company was raising £20m through the issue of 5.54m shares at 370p. The cash will go towards acquiring its rival Time Security for £57.6m.

Bennett & Fountain unconditional

Further to the recommended cash offer made on behalf of Marlowe to acquire Bennett & Fountain, as at November 12 valid acceptances had been received in respect of 68.62m shares (65.7 per cent).

Of the total amount 60 per cent (63.63m shares) of acceptances were from Parkway, a wholly owned subsidiary of Voltex.

The offer was declared unconditional in all respects and remains open until further notice.

Pantheon redeems £7.5m loan stock

Pantheon International Participations intends to redeem on December 29 the whole of the outstanding £7.5m loan stock, including accrued premium, by making a payment of some £5.6m from existing cash resources.

The company said it had served notice upon the registered holder of the loan stock in accordance with provisions of the stock. The company said it would also pay the interest accrued from July 1 on the nominal amount of the stock to be redeemed, including the accrued premium of £112,000.

The discount of some £1.9m on redemption will result in an increase of about 11p in the fully diluted net asset value per share.

Crest Nicholson in £14.6m land deals

Crest Nicholson has, through its Crest Strategic Projects subsidiary, entered into transactions totalling £14.6m on parts of its landholdings at Swindon, Chippenham and Stowmarket. Each of the sales is in excess of cost.

The transactions, together with proceeds already received from the £27.6m sale of four commercial properties announced last month, have contributed to a significant cut in group bank borrowings, which on October 31 amounted to £40.5m net.

Hillsdown makes Scottish disposal

Hillsdown Holdings' subsidiary FMC has sold its abattoir and consumer ready meat operation at Perth, Scotland, to a subsidiary of Beck Food Group. Consideration was a sum not material in relation to Hillsdown's net assets.

The sale of the Perth plant virtually completes the FMC disposal programme.

Graystone offer unconditional

The recommended offer by Graystone, made via Chemical Investment Bank, for British Syphon Industries, has become unconditional as to acceptances.

As at November 11 valid acceptances had been received in respect of a total of 32.07m shares, representing 94.55 per cent. The offer will remain open for further acceptances until 3pm on December 6.

COMMODITIES AND AGRICULTURE

Cocoa market pushes towards £1,000 a tonne

By Alison Maitland

COCOA PRICES in London broke out of a three-week stalemate yesterday and made strong gains on the back of fresh investment fund buying in New York.

The second position March futures contract at the London Commodity Exchange hit its highest level since July 1988, reaching an intra-day peak of £997 a tonne before closing £23 higher at £994. It had not been above £991 during a day's trading since October 21.

The London market had been waiting to see what happened in New York last Friday, the first notice day for physical delivery against the December contract, which expires on December 14.

The New York market had been weak in the run-up to the notice day as it waited for funds to get out of their positions or roll them over. But in the event, Friday brought a notice for December delivery of a large number of contracts by a leading trade house, reported to be Goldman Sachs. As it was thought likely to hold on to the cocoa, thus reducing supply, this helped to boost prices.

The London market took heart from the move early on and technical buyers moved in when the price breached £991.

"There hasn't been any indication in the London market that people were prepared to go short, even when New York was weak," said one trader. "Today the situation got a little bit enthused. With holidays in Brazil and Ivory Coast there was no origin selling, and there's some concern about shipments and quality of cocoa from Ivory Coast."

● LCE Coffee futures were also firmer, encouraged by new that the Brazilian government had bought 51,000 bags of beans (60kg each) for the export retention stockpile at Friday's auction, bringing the total so far to 76,500 bags.

The January position closed at $1,227 a tonne, up $17.

Under the retention plan coffee producers are holding 20 per cent of their supplies off the market. Current prices are some 22 per cent higher than when the plan was agreed at the end of July, but they remain well below the 2¼-year peaks reached in September.

Dutch zinc plant may have to close

By Kenneth Gooding, Mining Correspondent

THE BUDEL smelter in the Netherlands, which produces about 5 per cent of the western world's zinc, will have to close by the middle of 1995 if no agreement about waste storage can be reached with the Dutch authorities by the end of this year.

The future of the smelter, which is jointly owned by Billiton, part of the Royal Dutch/Shell group, and Pasminco, the Australian resources company, is threatened because it produces cadmium-containing hazardous waste called jarosite.

Pasminco has revealed that attempts are being made to use low-iron zinc concentrates (an intermediate material) – if these can be found in sufficient quantities – to eliminate jarosite from the waste. Budel, Pasminco and another Australian resources group, CRA, are working on this process. The Fl 310m (US$163m) already provided by Budel's shareholders to solve the jarosite problem will probably cover the cost.

Pasminco also said it expected agreement to be reached with the Dutch authorities about Budel's long-term survival before the year-end.

Untangling Australia's wool problems

Nikki Tait on an industry that needs all the help it can get after a slump in prices

NO SOONER had Sydney corralled the Olympic Games for the year 2000, than the cry went up: uniforms, for Australian athletes and officials, should be made from wool.

Marketing nous, or desperation? Perhaps a bit of both – for two years after a guaranteed pricing system for wool came to an end in Australia, the industry needs all the help it can get. In April, the real price of wool at auction slumped to its lowest level this century, and although matters have improved slightly since then, the outlook is anything but rosy.

In its latest quarterly report, for example, the Australian Bureau of Agriculture and Resource Economics forecast that average prices during the 1993-94 selling season would be below those of the previous year. Out on the hillsides, the number of sheep shorn this year is expected to be 156m, a 12.2 per cent drop from last year.

This is no small problem. In value terms, wool is still one of Australia's largest export categories, and Australian sheep account for 30 per cent of the world's total wool production. The highly-fragmented industry, moreover, comprises about 65,000 individual wool growers, who are hurting badly. Incomes have been squeezed, and stories of bank loan defaults are rife.

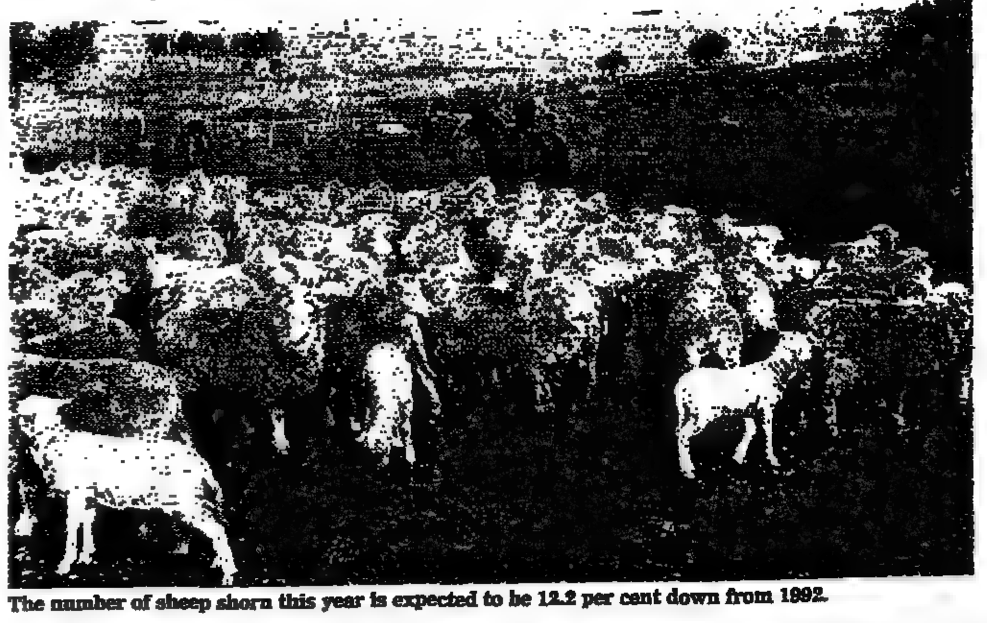
The government responded to the near-crisis situation earlier this year, when it called in Professor Ross Garnaut, from Australian National University. In August, the Garnaut commission reported, and its recommendations were immediately taken on board in Canberra. As a result, legislation is passing through parliament, which – assuming no hiccups – will further reshape the tattered industry.

The question is, will it really solve the sector's problems ?

These are basically two-fold. On the one hand, there is weak demand from Japan and Western Europe, largely reflecting recessionary conditions. The European Community cut imports of Australian wool by a fifth in 1992-93; Japan, by 23 per cent. China, the largest market for Australian wool last year, is a more complicated case. Demand has been increasing sharply, but there are concerns that the nation's tighter economic policies – in response to overheating – will mean that it becomes volatile in the short-term.

Chinese import duties and tariffs, meanwhile, are high, ranging up to 100 per cent. On this score, wool-growers saw some signs of progress a few weeks ago, when talks between trade officials indicated that China might be willing to negotiate a reduction in return for support in its application to join the General Agreement on Tariffs and Trade. The discussion generated no concrete promises, but was, in the words of one Canberra official, "a good bonding session".

But the supply and demand situation has been compounded by the presence of the large wool stockpile – all 824,000 tonnes of it – and associated debt that built up under the guaranteed pricing system. As the Garnaut report noted, "the stockpile is almost as large as Australia's expected 1993-94 wool production. . . Its presence and its sale inevitably exert downward pressure on pricing, while generating costs in terms of storage and debt servicing".



The number of sheep shorn this year is expected to be 12.2 per cent down from 1992.

In reality, sales from the stockpile over the past two years by the Australian Wool Realisation Commission (which was set up for this purpose) have been fairly modest – and at July 1993, the stockpile still stood at 693,000 tonnes by July 1993. Nevertheless, its very presence, and the uncertainty surrounding the timing of sales from it, has been sufficient to depress the already lacklustre pricing situation.

Just as the industry's problems are multifarious, so were the Garnaut Commission's solutions. On the trade front, it was emphatic that wool, wool-related products, textiles and garments should be fully included within the current Uruguay round of Gatt talks and that efforts should be made facilitate exports, both to China and to Mexico, under the planned North American Free Trade Agreement.

On an organisational front, it suggested that the Australian Wool Corporation and the Wool Research and Development Corporation be merged into one statutory authority. This would concentrate solely on marketing promotion and research, leaving matters like training to private industry. The Australian Wool Industry Council, another statutory authority, would cease to exist.

But by far the most controversial element of the report – and the legislation passing through parliament – is a plan to privatise the AWRC, under the name of Wool International.

The privatised body would have two objectives: firstly, it would develop a range of wool-based financial mechanisms, like futures contract; and secondly, it would administer a fixed schedule of sales from the stockpile, retaining a balance to support its financial instruments.

None of this would happen overnight. At the outset, Wool International would be a government-owned organisation. Shares in it would then be issued to growers in direct proportion to stockpile levy payments between 1993-94 and 1996-97. However, by mid-1997, when the privatisation would be scheduled to take place, the amount of wool in the stockpile should have reduced to around 240,000 tonnes. That would be "within the range of centralised stocks that a smoothly functioning futures market would be able to accommodate without disruption".

The advantage to this plan is that it tries to turn at least part of the stockpile into a useful plus. The downside is that Wool International must gear up for this new activity while administering the fixed schedule of sales, which some industry players suggest will further unsettle a market which struggling to match supply and demand.

Some Australian wool-growers have also argued that if wool prices do not lift, the plan may not be viable – yet responsibility for the stockpile will have shifted to the industry, regardless.

Not least of those unhappy with the proposed set-up is the Sydney Futures Exchange, which argues that a plausible futures market needs to be independent of both government and suppliers.

"It's a bit like asking Opec to run an oil contract," comments the SFE.

Not surprisingly, the SFE is attempting to revitalise its little-used, existing wool contracts, and has been circulating a discussion document among members. But the exchange admits that while management of the stockpile remains uncertain and no significant forward market exists in wool, a viable futures market is unlikely to develop. But once the fixed stockpile sales schedule is up and running, Wool International will be in business. "It's a case of chicken and egg," it says.

The Garnaut report, by contrast, suggested that there would be clear advantages in having Wool International tackle the futures market. "There are. . . weaknesses on the Exchange – the absence of a capacity to make the contracts deliverable, and some international doubts about trading in commodities outside the main world centres," it concluded.

Uranium prices predicted to begin recovery within two years

By Kenneth Gooding

URANIUM PRICES, at present at their lowest-ever level in real terms, should start to recover in 18 months to two years, according to Mr Peter Wade, managing director of North Broken Hill Peko, the Australian resources group.

He also suggests that, although demand for iron ore is likely to pick up and the volume of sales by Australian producers should increase in the coming year, there was still room for a further fall in prices for ore supplied to big Japanese customers.

Discussing the uranium market at a meeting in London with the Association of Mining Analysts, Mr Wade pointed out that last year mines in the west and former eastern bloc countries provided only 65 per cent of the uranium consumed by western utilities – the material is used solely to produce nuclear energy – and the rest was drawn from stocks.

"At the rate stocks are being depleted, they run out in 18 months to two years," he said.

This calculation assumed that the Commonwealth of Independent States would continue to supply 100 per cent of its domestic market and 20 per cent of the western market.

Free market uranium prices peaked at US$45 a pound in 1978 when it seemed oil prices were going sky high, but they have been languishing below $10 for nearly five years. Over-optimistic predictions about nuclear power demand contributed to a build-up of stocks at the western utilities which brokers have been selling off. More recently, the brokers have also had access to excess stocks in the CIS.

NBHP owns 66 per cent of Energy Resources of Australia, which operates the Ranger mine in the Northern Territory. Mr Wade that said prices well below production costs had forced ERA to cut back production to a level where it was servicing only those long-term supply contracts not related to the free market price.

To fulfil its other contracts ERA had first bought uranium from brokers but more recently had signed a five-year supply contract with Kazakhstan. ERA was able to ship this uranium to US customers despite the present ban on CIS imports of the material because its contracts with American utilities pre-dated the ban.

Mr Wade said the ban provided a clue to where uranium prices might be heading because the US government had said limited CIS imports would be permitted when the market price reached $13 a pound and all restrictions would be removed at $21. He said the upper limit was probably too high because prices between $16 and $18 a pound would encourage new uranium mines to come into production.

Dealing with the iron ore negotiations, Mr Wade pointed out that NBHP was the fourth-largest iron ore producer in the world and had a Japanese partner, so it did not set the pace in the price negotiations with the Japanese. Nevertheless, he felt there was room for another price cut this year – but it would be "a single digit" reduction, following last year's 13 per cent.

UK dairy company makes premium offer to farmers

By Deborah Hargreaves

NORTHERN FOODS has announced that it will pay British farmers a premium of 1.2p a litre for their milk above the level set by Milk Marque when the country's market is freed in April. Milk Marque is the voluntary farmers' co-operative set up by the Milk Marketing Board following its abolition in September.

The premium to be paid is higher than many farmers had expected and reflects Northern Foods' need for a steady supply of liquid milk, which commands higher prices than milk for processing.

"It's a very brave thing for them to do – I didn't think there was that amount of margin in it," said Mr Hugh Black, a dairy farmer in Herefordshire. "They must be prepared to lose a bit of money at first because the margin must be fractions of pennies," he said.

The premium contains a one-off goodwill bonus to all producers of 0.5p a litre, which means that prices could drop slightly after the first year under the new arrangements. The Northern Milk Partnership, which has been set up by Northern Foods to buy milk directly from producers in the new free market, has already signed up enough farms to supply its annual requirements of 2bn litres. The group has 3,180 producers on its books representing 18 per cent of the UK's annual output.

Milk Marque has not yet set an official price for payment to farmers, but Mr Andrew Dare, chief executive, has suggested that the price could rise by 2p a litre or more above current prices of 22p a litre as supplies remain tight in the UK market.

However, Mr Roland Williams who recently retired as director of economics at the Milk Marketing Board, said he does not believe Milk Marque will be able to afford to pay farmers more than 22p to 23½p in the 1994 to 1995 marketing year.

Mr Williams' comments will add to the row about pricing in the free milk market, where farmers are hoping to see their margins improve. Mr Dare has said consumers should not see large price increases.

WORLD COMMODITIES PRICES

MARKET REPORT

The ALUMINIUM market led a general price fall at the London Metal Exchange yesterday afternoon, with the three months delivery position ending after hours trading $19 down at $1,059.50 a tonne. Dealers said the market had opened on the defensive following its failure to breach resistance at $1,080 a tonne on Friday and quickly lost ground under pressure from Far East selling and trade offerings. Speculative liquidation pushed three months COPPER towards the lower end of its recent range. Last business was at $1,659 a tonne, down $11.50 from Friday. ZINC prices drifted in early trading but found support below $950 a tonne for three months metal, which ended at $952, down $3 on the day. Three months LEAD spiked to $417 a tonne in early trading, but profit-taking reversed the trend and although prices remained underpinned by recent consumer interest and an analyst's report of a tightness in lead concentrate supplies it ended at $412, up only $1 on balance. NICKEL continued to correct from an oversold condition and the three months price bounced away from the $4,600-a-tonne level.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$14.10-4.17z	+0.235
Brent Blend (dated)	$15.19-5.21	+0.375
Brent Blend (Jan)	$15.81-5.83	+0.215
W.T.I (1 pm est)	$17.04-7.06z	+0.24
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$170-172	
Gas Oil	$170-172	+3
Heavy Fuel Oil	$61-63	-1
Naphtha	$147-150	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$374.25	-0.85
Silver (per troy oz)♣	452.50c	-1
Platinum (per troy oz)	$374.05	
Palladium (per troy oz)	$129.50	
Copper (US Producer)	80.0c	
Lead (US Producer)	32.75c	-1.13
Tin (Kuala Lumpur market)	12.05r	+0.3
Tin (New York)	217.50c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	118.55p	-2.30*
Sheep (live weight)†♠	85.29p	+3.94*
Pigs (live weight)†	71.71p	-0.89*
London daily sugar (raw)	$254.49	-4.1
London daily sugar (white)	$279.5	-7.5
Tate and Lyle export price	$281.5	-4.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£185.0	+10
Rubber (Dec)♥	60.00p	
Rubber (Jan)♥	60.25p	
Rubber (KL RSS No 1 Jul)	207.0m	
Coconut oil (Philippines)§	$465.0	
Palm Oil (Malaysian)§	$352.5w	-10
Copra (Philippines)§	$310.0	
Soyabeans (US)	£200.0	+2
Cotton "A" index	54.95c	-0.05
Wooltops (64s Super)	360p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Jan. v-Dec/Jan. u-Dec. w-Nov/Dec. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. * change from a week ago. provisional prices.

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Dec	15.44	15.49	15.51 15.38
Jan	15.83	15.81	15.90 15.73
Feb	16.08	16.12	16.15 16.01
Mar	16.28	16.30	16.33 16.23
Apr	16.46	16.48	16.50 16.45
May	16.60	16.65	16.65 16.60
Jun	16.70	16.70	16.75 16.65
IPE Index	15.54	15.31	

Turnover 29100 (54630)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Dec	163.00	161.00	163.50 162.25
Jan	162.00	160.00	162.50 161.25
Feb	161.50	159.50	161.75 160.75
Mar	160.50	158.75	160.50 160.00
Apr	159.50	158.00	159.50 159.00
May	160.50	158.00	160.50 159.25
Jun	159.75	158.50	160.50 159.25
Jul	162.25		162.25 161.25

Turnover 8599 (12495) lots of 100 tonnes

SUGAR – LCE			($ per tonne)
White	Latest	Previous	High/Low
Dec	278.70	279.00	278.70 278.00
Mar	274.40	273.30	275.20 274.00
May	277.00	276.60	277.00
Aug	282.00	280.90	282.00 281.20
Oct	270.00	269.00	270.00

Turnover 1048 (2571) Paris- White (FFr per tonne): Dec 1648.50 Mar 1630.25

TEA

The Tea Broker's Association reports, improved general demand. Coloury North Indians sold well at around last levels but prices for lesser mediums tended lower following quality. Bright and good medium East Africans met more competition and prices often advanced 2 to 5 pence. Plainer types however lost 4 to 3 pence. Ceylons met fair demand at easier rates. Offshore good demand. Ceylons sold well but Kenyas moved easier. Quotations: quality 190p/kg, good medium 130p/kg, medium 107p/kg, low medium 97p/kg. The highest price realised this week was 200 for a Rwanda pf.1.

96.7 RAW SUGAR - LCE			(cents/lbs)
	Close	Previous	High/Low
Mar	10.24	10.21	10.29 10.15
May	10.56	10.61	10.61 10.60
Jul	10.86	10.82	10.88 10.86
Oct	10.69		10.65 10.65

Turnover 65 (137) lots of 50 tonnes.

COCOA - LCE			£/tonne
	Close	Previous	High/Low
Dec	950	930	950 920
Mar	993	971	997 965
May	997	977	997 971
Jul	994	977	994 973
Sep	998	978	996 972
Dec	972	952	971 946
Mar	977	959	976 952
May	981	966	974 963
Jul	984		975 980
Sep	990	977	975 967

Turnover: 7050 (6986)lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Nov 12 925.53 (926.09) 10 day average for Nov 15 908.73 (907.34)

COFFEE – LCE			$/tonne
	Close	Previous	High/Low
Nov	1212	1197	1215 1211
Jan	1227	1210	1228 1211
Mar	1211	1198	1212 1201
May	1201	1181	1197 1198
Jul	1200	1178	1186

Turnover: 1710 (3920) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Nov 12 Comp. daily 67.53 (68.81) 15 day average 69.06 (69.17)

POTATOES – LCE			£/tonne
	Close	Previous	High/Low
Apr	90.3	87.5	92.5 88.9
May	108.0	104.0	107.0 105.0

Turnover 228 (235) lots of 20 tonnes

FREIGHT – LCE			$10/index point
	Close	Previous	High/Low
Dec	1315	1333	1315
Jan	1315	1335	1315
BFI	1315	1317	

Turnover 15 (129)

GRAINS – LCE			£/tonne
Wheat	Close	Previous	High/Low
Nov	97.40		97.25
Jan	99.55	100.50	100.50 99.45
Mar	101.40	102.40	102.25 101.40
May	103.35	104.25	103.35 103
Nov	92.50	92.75	92.75 92.50
Barley	Close	Previous	High/Low
Jan	103.80	103.85	103.85 103.70

Turnover: Wheat 209 (245) Barley 19 (66) Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 88,318 lots
Cash	1043-44	1055.5-6.5	1071/1070	1060-60.5		
3 months	1064.5-65.5	1076-7	1078/1059	1072-72.5	1059-59.5	266,012 lots
Copper, Grade A ($ per tonne)						Total daily turnover 83,552 lots
Cash	1638-39	1643-4	1636	1636-39		
3 months	1661.5-62.5	1666.5-7.0	1667/1656	1661-62	1658-59	201,171 lots
Lead ($ per tonne)						Total daily turnover 6,307 lots
Cash	400-01	396.5-7.5	[illegible]	395.5-96		
3 months	414-14.5	410-1	417/410	410-10.5	411-12	25,012 lots
Nickel ($ per tonne)						Total daily turnover 17,298 lots
Cash	4585-95	4635-40	4630/4610	4582-85		
3 months	4645-55	4682-5	4680/4610	4620-25	4650-60	46,807 lots
Tin ($ per tonne)						Total daily turnover 3,476 lots
Cash	4650-55	4660-70		4630-33		
3 months	4700-05	4710-20	4730/4680	4680-82	4705-15	14,189 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 39,844 lots
Cash	934-35	937-8	940	932.5-33		
3 months	952-52.5	954-5	953/948	950.5-51.5	951-52	82,404 lots
LME Closing £/$ rate: SPOT: 1.4895		3 months: 1.4816		6 months: 1.4751		9 months: 1.4698

LME AM Official £/$ spot rate 1.4915

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	374.00-374.50	
Opening	373.40-373.80	
Morning fix	373.90	250.638
Afternoon fix	374.70	251.139
Day's high	375.20-375.60	
Day's low	372.60-373.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.70	6 months	2.69
2 months	2.70	12 months	2.71
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	302.70	451.75
3 months	306.60	455.10
6 months	310.25	458.55
12 months	318.15	467.19

GOLD COINS	$ price	£ equivalent
Krugerrand	375.00-378.00	251.00-254.00
Maple leaf	385.10-387.50	-
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1025	41	67	12	18
1050	27	52	23	28
1075	16	39	37	38
Copper (Grade A)	Calls		Puts	
1625	50	85	22	34
1650	38	71	33	45
1675	25	58	47	56
Coffee LCE	Jan	Mar	Jan	Mar
1150	82	109	15	46
1200	56	82	91	71
1250	34	61	57	100
Cocoa LCE	Dec	Mar	Dec	Mar
875	75	133	-	15
900	50	115	-	15
925	27	98	2	22
Brent Crude	Dec	Jan	Dec	Jan
1600	42		81	55
1650	22	43	90	
1700	8	27		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	375.2	374.1	0	0
Dec	375.7	373.6	376.0	373.3
Jan	376.7	374.6	0	0
Feb	377.7	375.6	377.9	375.2
Apr	379.5	377.4	379.7	377.5
Jun	381.3	379.2	382.0	379.2
Aug	383.1	381.0	382.1	381.0
Oct	385.0	382.9	0	0
Dec	387.0	384.9	387.0	385.2

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Nov	363.0	363.0	0	0
Jan	379.8	377.7	380.0	375.5
Apr	381.3	379.1	381.5	377.0
Jul	382.0	379.8	379.0	379.0
Oct	383.5	381.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	455.0	450.7	0	0
Dec	455.5	451.2	456.0	450.0
Jan	456.3	452.7	0	0
Mar	460.2	456.0	460.5	455.0
May	463.2	459.0	463.5	459.0
Jul	466.2	462.0	465.5	462.0
Sep	469.4	465.2	0	0
Dec	474.1	470.0	475.0	471.0
Jan	475.2	471.1	0	0
Mar	479.3	475.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	74.10	74.45	74.20	74.10
Dec	74.10	74.75	74.50	73.85
Jan	74.30	74.95	74.50	74.25
Feb	74.60	75.20	0	0
Mar	74.90	75.45	75.20	74.70
Apr	75.15	75.70	0	0
May	75.35	75.95	75.65	75.30
Jun	75.55	76.20	0	0
Jul	75.80	76.45	75.20	75.85
Aug	76.05	76.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	16.74	16.72	16.85	16.62
Jan	17.07	17.04	17.16	16.98
Feb	17.33	17.29	17.38	17.25
Mar	17.54	17.49	17.57	17.46
Apr	17.65	17.64	17.68	17.65
May	17.80	17.78	17.84	17.74
Jun	17.95	17.92	17.96	17.88
Jul	18.08	18.03	18.08	18.04
Aug	18.10	18.14	18.18	18.10
Sep	18.20	18.25	18.31	18.15

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	51.30	51.51	51.65	51.10
Jan	52.10	52.35	52.45	51.90
Feb	52.60	52.71	52.80	52.45
Mar	52.35	52.31	52.45	52.10
Apr	51.40	51.66	51.70	51.70
May	50.95	51.01	51.10	50.90
Jun	50.95	50.86	50.65	50.40
Jul	50.86	50.86	0	0
Aug	51.41	51.41	0	0
Sep	52.46	52.38	52.45	52.45

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1199	1181	1205	1127
Mar	1252	1191	1255	1198
May	1264	1209	1266	1216
Jul	1272	1225	1272	1230
Sep	1283	1234	1275	1240
Dec	1296	1247	1278	1270
Mar	1300	1258	0	0
May	1314	1268	1315	1300
Jul	1338	1283	1309	1308
Sep	1341	1295	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.85	72.90	73.95	73.10
Mar	76.80	75.70	76.86	76.00
May	78.40	77.35	78.70	78.00
Jul	79.70	78.70	79.86	79.30
Sep	81.45	80.30	81.20	81.20
Dec	83.85	82.60	83.75	83.75
Mar	86.80	85.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	10.05	9.89	10.14	10.02
May	10.26	10.21	10.33	10.23
Jul	10.32	10.30	10.37	10.30
Oct	10.29	10.30	10.33	10.25

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	58.78	58.36	58.85	58.51
Mar	60.75	60.37	60.84	60.48
May	61.92	61.50	62.05	61.67
Jul	63.00	62.66	63.10	62.86
Oct	63.00	62.80	63.15	62.85
Dec	63.16	62.87	63.23	62.90
Mar	63.67	63.75	0	0
May	64.35	0	64.25	64.25

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	110.50	109.60	111.25	110.25
Jan	113.20	112.60	114.00	112.75
Mar	115.05	114.35	115.50	114.35
May	117.25	116.80	117.60	116.60
Jul	118.75	117.95	0	0
Sep	120.25	119.45	0	0
Nov	117.25	116.45	118.00	118.00
Jan	117.25	116.45	0	0
Mar	117.25	116.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov 15	Nov 12	mnth ago	yr ago
1610.7	1616.2	1681.2	1682.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov 12	Nov 11	mnth ago	yr ago
Spot	N/A	121.75	121.74	N/A
Futures	N/A	134.13	125.53	N/A

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	679/4	675/4	683/0	671/0
Jan	686/6	682/0	691/4	679/4
Mar	692/0	688/0	698/0	684/4
May	693/4	690/2	699/4	686/6
Jul	694/4	690/6	700/0	687/6
Aug	691/0	688/4	695/4	685/0
Sep	662/4	661/0	667/0	659/0
Nov	639/6	638/2	641/4	636/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	25.93	25.77	26.14	25.67
Jan	25.99	25.81	26.20	25.78
Mar	26.11	25.90	26.30	25.86
May	26.13	25.89	26.25	25.89
Jul	26.10	25.86	26.25	25.86
Aug	25.84	25.56	26.00	25.60
Sep	25.17	25.12	25.46	25.10
Oct	24.50	24.52	24.70	24.45

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	211.5	213.2	214.2	209.7
Jan	208.9	210.0	211.5	207.0
Mar	207.6	208.2	209.8	205.7
May	206.7	206.9	208.5	204.8
Jul	206.7	207.3	208.0	205.1
Aug	205.3	206.0	207.5	204.0
Sep	202.0	204.0	204.3	200.5
Oct	199.0	200.5	200.0	198.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	279/0	277/6	282/2	275/6
Mar	286/6	285/2	290/0	283/6
May	289/6	287/6	292/6	286/4
Jul	289/2	287/6	292/2	286/4
Sep	273/0	272/0	274/4	271/4
Dec	256/6	258/6	259/6	257/2
Mar	264/0	264/4	265/0	263/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	345/6	343/4	348/4	343/0
Mar	343/6	343/0	344/6	342/0
May	331/0	329/2	332/0	329/6
Jul	322/4	321/0	324/0	321/0
Sep	326/6	325/0	326/6	325/0
Dec	335/4	334/4	335/4	335/0
Jul	322/4	320/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.575	74.325	74.800	73.550
Feb	74.225	74.800	74.950	74.150
Apr	76.150	76.525	76.700	76.100
Jun	72.825	73.175	73.375	72.775
Aug	71.575	71.800	72.050	71.525
Oct	71.825	72.100	72.300	71.825
Dec	73.100	73.150	73.250	73.000

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	46.625	46.775	47.100	46.325
Feb	48.075	48.150	48.550	48.025
Apr	47.700	47.625	48.050	47.650
Jun	53.000	52.900	53.300	52.900
Jul	52.175	51.900	52.325	52.000
Aug	51.075	50.875	51.250	50.850
Oct	47.100	46.950	47.200	46.850
Dec	48.075	48.000	48.200	47.900

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	55.400	55.800	58.550	55.250
Mar	56.425	55.775	58.300	55.100
May	55.900	56.300	58.900	55.900
Jul	56.700	57.150	57.550	56.500
Aug	55.500	55.500	55.750	55.400

LONDON STOCK EXCHANGE

Cautious start to new equity account

By Terry Byland,
UK Stock Market Editor

THE NEW equity trading account, to be featured this week by the outcome of the Nafta vote in the US Congress and which will also take the stock market to the very brink of the Budget from the UK chancellor of the exchequer, made a cautious start yesterday. Trading volume was around 23 per cent down from Friday's total and well below the average levels of the past three months.

The FT-SE 100 Index trod an erratic path, losing the 3,100 mark in early trading, then retrieving it with a gain that extended to more than 10 points, only to slide away again when Wall Street came in sharply lower in UK trading hours. At the final reading of 3,093.3, the Footsie showed a loss on the day of 5.8.

At the opening of the market, attention focused on the Seaq overnight ticker, which reported the equity trades executed on Friday and identified as a move out of equities and into gilt-edged securities by a UK insurance institution.

The US securities house which took the equities trade, worth around £250m, had then covered itself by selling stock index futures on Friday, in what was probably the largest deal recorded in that sector.

Yesterday's market was also affected by the latest round of results from leading British companies. Although trading figures from British Airways and then from British Steel were not too far from expectations, both companies disappointed the market with unpromising comments on the outlook.

Poor trading volumes showed a final total of only 498.6m shares through the Seaq network, compared with Friday's 639.4m. Business in non-Footsie stocks was also light, making up only about 46 per cent of the day's total. But with marketmakers quicker to mark down quotations in the second liners, the FT-SE Mid 250 Index continued to fall, shedding 4.6 to 3,416.5.

The outcome of the Nafta vote in the US congress troubles securities analysts because of its significance for the GATT trade negotiations and the fear of an international trade war. The UK stock market this week also faces a heavy list of important data on the domestic economy.

The high point will come tomorrow with the October Retail Price Index; while most UK securities houses hope that annualised inflation will remain at 1.8 per cent, some fear that it may have begun to creep higher. Inflation is seen as the key to the chances for a cut in base rates around the time of the Budget speech at the end of the month.

Thursday will bring the latest average earnings statistics, also a potential source of inflationary pressure and the October unemployment figures. The same day also features the regular policy meeting of the Bundesbank and will inevitably prompt speculation of impending cuts in German interest rates.

Against this somewhat dangerous backcloth, fund managers and securities houses alike are now unwilling to take on heavy trading positions ahead of the Budget.

The market was held back by a mixed performance from the pharmaceutical stocks following further allegations of malpractice by leading companies. Oil stocks, too, lacked supporters in London and the whole of the international sector looked dull at the close of the session.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Nov 1	Nov 15	Nov 29
Option Declarations:		
Nov 11	Nov 25	Dec 9
Last Dealings:		
Nov 12	Nov 26	Dec 10
Account Day:		
Nov 22	Dec 6	Dec 20

*New time dealings may take place from two business days earlier.

Properties find support

SELECTED property shares advanced as James Capel, the London institutional broker, reiterated its bullish stance on the sector.

The broker, which first turned positive a year ago, said it continued to recommend an overweight position because of what it believes to be the continuing improvement in the market fundamentals. In particular, the broker notes that "when rental growth begins, property will cease to be rated purely in terms of the cost of money, but more in terms of the income growth potential".

Capel is recommending Land Securities, which advanced 7 to 715p yesterday. While the broker is forecasting a net asset value of 647p this year, it said this could grow to 900p to 950p within three years. Elsewhere in the sector, Slough Estates climbed 8 to 264p and British Land 3 to 401p.

SmithKline active

There was a two-way tussle over SmithKline Beecham yesterday as a critical press article vied with good news about one of the company's products.

The stock was under pressure on a selective piece of broker comment, highlighted in a Sunday newspaper article, which suggested a split between Mr Bob Bauman, the chief executive, and Mr Jan Leschly, the chairman.

However, many pharmaceuticals analysts felt that any difference of opinion had been exaggerated beyond the bounds of credibility. One seasoned observer said: "Undoubtedly they have a different background and different personalities, but I am completely confident that they have not had a rift."

Helping the stock was a statement from the company saying that trials comparing SmithKline's anti-nausea compound Kytril with Zofran, the rival product from Glaxo, showed Kytril was more effective and popular with patients.

Glaxo was further affected by weekend reports that the company had sacked members of its sales force following an internal investigation into mishandling of the company's funds. The shares lost 12 to 642p. SmithKline "A" finished 6½ lower at 402p ex-dividend.

BA weaker

Results in line with expectations, but accompanied by a fairly cautious statement kept British Airways shares in negative territory. They closed 2 adrift at 397p in turnover of 5m.

Pre-tax profits came in at £235m, against £227m a year ago, while the dividend was raised to 3.18p per share from 2.93p previously. Analysts' forecasts ranged from 3.1p to 3.3p.

In the three months to September 30, 8.1m passengers flew on the airline's scheduled services, 14.4 per cent more than a year ago, with revenue passenger kilometres rising by 12.6 per cent. Cargo traffic rose 9.3 per cent.

Most brokers left their full-year forecasts unchanged. Smith New Court reaffirmed its positive stance on the stock, highlighting the growth in premium traffic and the load trends.

Bank shares were driven in both directions, apparently by broker recommendations. Royal Bank of Scotland was the sector's best performer, rising 8 to 364p, within 4 of the stock's all-time high, as the market continued to anticipate more good news from the bank's Direct Line insurance subsidiary, due to announce figures next week. One leading firm of marketmakers was said to have been an aggressive buyer of the shares.

Abbey National eased a shade to 403p in spite of some particularly heavy activity in the traded options market, where one front line agency broker was said to have sold 1,000 "puts", equivalent to buying 1m shares.

Barclays, up 6 at 582p, and Lloyds Bank, a shade off at 563p, were said to have been recommended by UBS, while Swiss Bank Corp was thought to have been the downside driving force in Standard Chartered, 9 weaker at 1034p.

The insurance area of the market failed to arouse much interest ahead of today's third quarter numbers from General Accident which analysts forecast will show nine-months profits of around £230m against a loss of £37m last year. General Accident's shares eased a fraction to 691p while those of Commercial Union dropped 8 to 598p on 568,000 shares traded in front of tomorrow's third quarter numbers.

Results from British Steel prompted a volatile session in the shares as a positive reaction to improved profits and dividend turned negative after a downbeat statement from the management. The shares eventually closed 2¼ off at 122¼p in turnover of 8.9m.

The market had little time to react to a statement by Tiphook – made a few minutes before the market closed – that its losses would extend into the second half, that no final dividend would be paid and that it was in talks to sell its container division. The company also said it had made further progress in its restructuring talks with the banks. The shares added 3 to 98p.

Cable & Wireless shares were among the FT-SE 100's worst performers, slipping 11 to 486p on keen turnover of 2.7m, ahead of interim figures scheduled for Thursday. The weakness on the shares was said to have been prompted by a bout of sustained selling by US investment bank Goldman Sachs, although this was not confirmed. C & W shares were badly mauled a couple of weeks ago by suggestions that CITIC, the Chinese Government investment agency, was considering the sale of a substantial block of its 57 per cent shareholding, although this was said to have been denied by the Chine authorities.

Amstrad was among the market's most active stocks, with over 12m traded in the cash market and the equivalent of 3.5m traded in the options market. The underlying shares edged up 1½ to 53p, after 53½p.

BICC jumped late in the session, closing 6 higher at 395p amid speculation of a big order from the US.

The oil and gas sector did little more than mark time as dealers pondered the recent weakening by international crude oil prices and the chances of a further bout of uncertainty ahead of the next Opec meeting, scheduled for November 23.

Shell, roughly handled by the market last week following results only marginally below best expectations, managed a minor 2 gain at 692p but Enterprise Oil dropped 7 to 445p. Lasmo, another to suffer substantial downside pressure last week, rallied 1½ to 130p.

Utilities lost ground across the board with regional electricity stocks featured by Eastern, 7 lower at 580p, and Midlands which dropped 7 to 596p. FT-SE 100 stock Southern eased only 3 to 600p.

Unilever rebounded from Friday's post-results fall, closing 19 ahead at 1105p. Kleinwort Benson and Strauss Turnbull both issued buy notes, while NatWest also took a positive view.

Shares in Euro Disney recovered after an initial fall, closing 15 ahead at 385p. The stock was initally hit by bearish weekend press comments, but later rallied on some international buying interest, according to dealers. Walt Disney in the US yesterday had some of its debt downgraded partly as a result of last week's heavy losses at the French theme park.

Forte shares improved 4 to 231p ahead of an analysts visit to the group's motorway service centre in France this week. Profit-taking clipped 5 from Airtours, down to 434p. Adverse press comment hurt First Leisure in the wake of last week's downgrade by the company's broker. The shares retreated 10 to 239p. Ladbroke Group continued friendless, down 5 at 163p in big turnover of 5.3m. US buying was said to have lifted Rank Organisation, up 11 at 846p.

Conglomerate BTR slipped 5 to 354½p after Credit Lyonnais Lainng reiterated its cautious stance on the stock at the morning meeting.

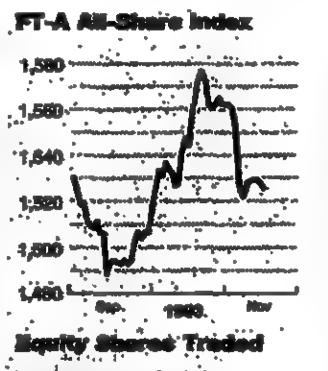
Zeneca Group was helped by report that one of its products had moved to the final phase of development following "particularly encouraging" results in phase two patients. The shares added 11 at 765p.

Yorkshire-Tyne Tees Television rose 13 to 218p on weekend newspaper coverage suggesting that LWT was interested in increasing its stake in the company. LWT fell 9 pence to 499p on the speculation.

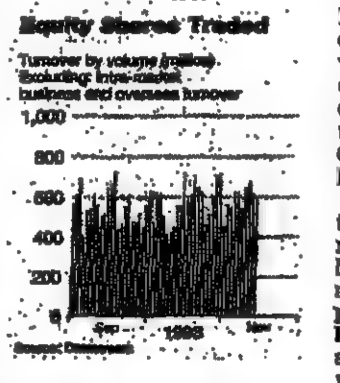
MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 33

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (97).
BRITISH FUNDS (1) Treas. 2pc IL '94, AMERICANS (1) Maby Tech., CANADIANS (1) American Barrick, BREWERS (2) Burtonwood, Matthew Clark, BLDG MATLS (1) Latham (J.), [illegible] Campbell [illegible] CHEMS (2) Cald, Hickson, CONGLOMERATES (1) Sibby (J), CONTG & CONSTRCN (1) Guardian, ELECTRICALS (1) Bumfield, Eng AERO (1) FR, FOOD RETAILING (2) Morrison (Wm), Do 5½pc Pf., HEALTH & HSEHOLD (2) Drew Scientific, London Int., HOTELS & LEIS (2) Euro Disney, First Leis., INSCE BROKERS (1) Hogg, INV TRUSTS (1) Broadgate, MEDIA (2) Blenheim 6.4pc Pf., Gold Greenless Trot, OTHER FINCL (2) Hambros, Policy Portfolio, OTHER INDLS (1) Staveley, PACKG, PAPER & PRINTG (1) Field, STORES (1) Betterware, TEXTS (2) Carrpert, Dawson.

FT-SE Actuaries Share Indices

THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3093.3 -5.8	3416.5 -4.6	1524.77 -2.71

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Volume	Nov 15	Nov 12	Nov 11	Nov 10	Nov 9	Year ago
SEAQ Bargains	28,523	32,710	29,105	28,738	[illegible]	25,017
Equity Turnover (£m)†	-	1300.2	1847.4	1721.1	1505.8	717.4
Equity Bargains†	-	37,880	32,928	32,758	32,142	27,886
Shares traded (mil)†	-	592.1	819.5	688.0	655.2	348.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

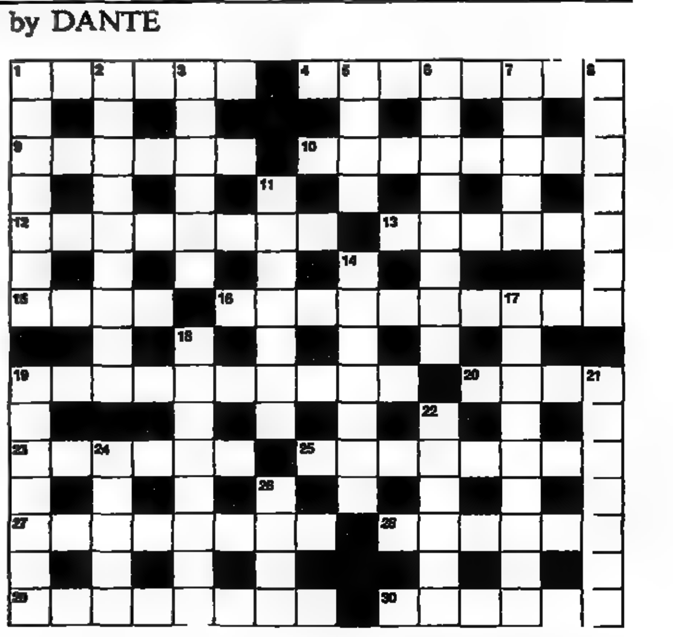
Continued on next page

CROSSWORD

No.8,307 Set by DANTE

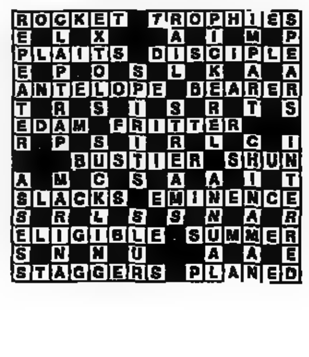
ACROSS
1 Publican with no end of trade (6)
4 Broken leg bound by the staff (8)
9 Sort of tureen that is neither one thing nor another (6)
10 Leash may become twisted around dog (8)
12 Destined to be admitted to the church (8)
13 The number increases in emergencies (6)
15 A certain agreement (4)
16 Settles, but I need terms renegotiated (10)
19 I'd hip and heart trouble from a serious illness (10)
20 Provides encouragement for poaching, perhaps (4)
23 Troops used in support (6)
25 Loaded statement? (8)
27 Gave the call sign (8)
28 Exist with just a part interest (6)
29 A certain laxity allowed in angular measurement (8)
30 Remote sort of astronomical object (6)

DOWN
1 They're crackers! (7)
2 There and back – but not straight back presumably (5,4)
3 The Observer's front cover (3-3)
5 Vegetable in need of a plug, we hear (4)
6 Barrels found around ancient dumps (8)
7 Character of those who are different (5)
8 Vengeance makes sin seem fatuous (7)
11 Young bounder (7)
14 Game that involves a form of quiz in a spelling test (7)
17 Dark horse at twenty to one possibly causing an upset (9)
18 A current measure in beer and scotch (5,3)
19 A sound measure (7)
21 Summoned for misappropriation of rents (4,3)
22 Charge exorbitantly for a woollen coat (5)
24 Solicitors hold it to be permissible (5)
26 Late, but if on time, not late (4)



JOTTER PAD

Solution 8,306



EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES traders opened the new equity account with a nervousness masked by strong technical trading in FT-SE futures and options contracts, writes Peter John.

Turnover in Footsie futures was boosted by one house taking advantage of the differential between the contract which expires next month and the contract for March and rolling forward its exposure. More than 2,500 December contracts were sold and the equivalent number of March contracts bought.

The December contract rose through the morning to hit a high of 3,128, a premium of some 15 points above cash compared with its new estimated fair value of about 6½. It then trickled back to around 3,100 in late trading.

Dealers were also selling FT-SE options to take advantage of high implied volatility in the contract. Recent concerns over the direction of the underlying equity market had pushed implied or theoretical volatility up to 15½ per cent by the start of trading. That uncertainty is not expected to go away ahead of the Budget.

But the nervousness was considered slightly overdone yesterday and marketmakers were offloading puts and calls to pocket their profits. The implied figures eased to 15 per cent by the close.

Volume in traded options was just over 30,000 lots with FT-SE options contributing 12,440 and Amstrad (3,482) topping stock.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19½	–¼	20¾	15⅝	16,320	2.3
Allegheny & W.	♥	466p	–12	722p	399p	278.4	4.1
Amdahl		335p	+14	991p	294p	376.2	1.0
Amer Cyanamid		34⅞	+½	39	31¼	3,133	3.3
Amer Express		20⅞	—	25¾	14⅞	10,046	3.2
Amer T & T		38½xd	—	43¼	33⅞	51,881	2.3
Ameritech		54⅛	–⅞	58¾	46	23,897	4.6
Anheuser–Busch		32⅞xd	+⅞	41¼	29⅛	9,099	2.9
BankAmerica		28⅛	+⅝	35¼	27⅛	9,996	3.3
Bankers NY		51	–⅛	54¼	42⅝	4,209	4.1
Bell Atlantic		41⅞	–⅝	44⅛	32¼	17,966	4.3
BellSouth		37⅞	–1	42⅝	32⅞	18,710	4.9
Bethlehem Steel	♥	12⅜	+⅜	13⅛	8½	1,061	–
Bowater		1367p	+50	1682p	1166p	405.3	2.9
CPC		31⅞	–⅜	34⅝	28	4,875	2.7
California Engy		1190p	—	1479p	1065p	216.6	–
Chase Manhattan		21⅛	–⅜	24⅞	17⅞	3,297	3.8
Chrysler		36⅜	–⅝	39	21⅛	10,780	1.1
Citicorp		24⅝	—	28	13⅜	9,001	–
Colgate–Palm		38⅛	+⅝	45⅝	32	6,087	2.5
Cont'l Bank		1627p	+15	1677p	1278p	1,644	2.5
Dana		38⅞	+⅛	39⅜	29⅜	1,785	2.6
Data General		662p	+29	951p	527p	182.7	–
Decora Inds	♥	98p	—	148p	98p	–	–
Dun & Brad		44⅛	–⅜	45⅞	37⅛	7,979	3.7
Eaton		34⅝	–⅝	37⅛	25⅜	2,409	2.3
Echlin		21⅜	–⅝	22⅛	15⅜	1,271	2.1
FPL		25	—	27⅞	23¼	4,541	6.6
Ford Motor		41½	+⅜	43⅜	35⅜	20,417	2.6
Gen Elect		63	–⅜	67⅜	53⅝	53,804	2.7
General Host	♥	478p	+6	723p	458p	–	4.7
Gillette		40⅝xd	–⅝	42⅝	31⅜	8,954	1.4
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.8
Honeywell		21⅜	+⅛	26½	20⅜	4,470	2.8
Houston Inds		30⅞	—	33⅛	29⅛	3,998	6.5
Ingersoll–Rand		25⅜xd	—	25⅜	19⅞	2,657	1.8
Lockheed		47⅛	–⅝	47⅞	35⅛	2,930	3.0
Lowe's		3346p	–64	3410p	1573p	2,441	0.6
Malvy Technology		432p	+56	432p	127p	–	–
Merrill Lynch		61⅜	–⅛	68⅞	37	9,903	1.7
Morgan (JP)		47⅛xd	–⅛	52⅛	38⅛	9,029	3.4
Morris (Philip)		35⅝	+1⅛	52⅝	28	34,725	4.4
NYNEX		28⅛	–⅛	32⅜	26⅛	5,938	5.5
Pall		13⅛	–⅛	16	10⅞	1,995	1.5
Pennzoil		38⅛	+⅛	47⅛	31⅜	1,776	5.2
Quaker Oats		47⅜	–⅜	58⅜	39⅛	3,447	3.0
Questar		278p	—	697p	49½p	25.3	–
Rockwell		23⅜xd	–⅛	24⅜	18⅜	5,058	2.9
Rep NY		32⅜	–⅜	37⅜	29⅛	1,691	2.2
Sears, Roebuck		39	–⅜	39⅜	18⅜	9,840	2.8
Sthwestern Bell		27⅛	–⅛	30½	23⅛	16,305	3.7
Sun Co		21⅝	+⅛	21⅞	14⅛	2,298	5.5
Tenneco		33⅞	+⅛	36⅛	25½	5,717	3.2
Texaco		44xd	–⅛	46⅞	37⅞	11,394	4.8
Time Warner		29⅛	–⅛	30⅝	18⅝	11,610	0.7
Unitab	♥	385½p	—	509p	358p	175.5	–
US West		31⅛	–⅛	35	24⅛	12,951	4.6
Varity		2549p	+17	2617p	1686p	778.9	–
WMX Technologies		16⅛	–⅛	27⅜	15⅜	7,885	2.5
Whirlpool		4185p	+7	4577p	2924p	2,925	1.9
Woolworth	♥	14⅞	+⅞	21½	14	1,953	5.2

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING–AEROSPACE

[illegible]

ENGINEERING–GENERAL

[illegible]

ENGINEERING–GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Europa Minls	36	—	42	18	18.4	—
Glencar Expl	11	—	12	6	2.03	—
Greenwich Res	$18\frac{1}{4}$	—	$22\frac{1}{4}$	5	12.5	—
Hemlo Gold C$	$67\frac{1}{4}$	—	[illegible]	[illegible]	701.6	1.4
Iwanda West	33	-1	57	31	18.6	—
Kalo Minls	12	—	14	6	0.29	—
Kenmare	$6\frac{1}{2}$	$-\frac{1}{4}$	$13\frac{1}{2}$	6	9.61	—
Malinga Res	7	—	$25\frac{1}{2}$	7	0.77	—
Navan Res	103	—	104	25	17.5	—
Spc La Nalsa	[illegible]	—	[illegible]	25	17.7	—
Oryx Gold	45	—	$78\frac{1}{2}$	27	—	—
††Ovoca Res	10	—	10	$3\frac{1}{2}$	0.70	—
RTZ	[illegible]	[illegible]	746	607	[illegible]	5.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † [illegible]
- ‡ Interim since reduced, passed or deferred
- ‡‡ [illegible]
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ [illegible]
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. j [illegible]. k Earnings based on preliminary figures. e Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IMR 'Headline Earnings' draft proposals. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; [illegible]

This service is available to companies whose [illegible] a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (V) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Alliance Unit Tst Mngmt Ltd – Contd.

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Murray Johnstone UT Mngmt

NatWest Investment Management Ltd

PDFM Unit Managers Ltd

Barclays Life Assur. Co Ltd

252 Romford Road, London E7

Colonial Mutual Group – Contd.

Combined Life Assurance Co

Commercial Union Group

INSURANCES

OTHER UK UNIT TRUSTS

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J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041-307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Income Distribution	109.9	115.7	+0.10	-
JRA/M&G Managed	136.9	144.2	+0.10	-
JRA/Scottish Amicable Mngd	128.0	134.8	+0.30	-
JRA/St James's Place Mngd	149.1	157.0	-0.40	-
Deposit	102.6	108.1		-
Far East	162.0	170.6	+0.90	-
Gilts	123.8	130.4	+1.00	-
Greater European	132.6	139.8	-0.30	-
North American	150.0	157.9	-0.70	-
UK Equity	128.8	135.7	-0.10	-
Pension Funds				
JRA/M&G Managed cap	136.3	143.5	+0.10	-
JRA/M&G Managed acc	144.8	152.5	+0.10	-
JRA/Scottish Amicable Mngd cap	127.7	134.5	+0.30	-
JRA/Scottish Amicable Mngd acc	135.7	142.9	+0.30	-
JRA/St James's Pl Mngd cap	162.7	171.3	-0.40	-
JRA/St James's Pl Mngd Acc	172.9	182.1	-0.40	-
Deposit cap	101.7	107.1		-
Deposit acc	108.1	113.8		-
Far East cap	162.8	171.4	+1.00	-
Far East acc	173.0	182.2	+1.10	-
Gilts cap	119.4	125.7	+0.90	-
Gilts acc	126.9	133.6	+1.00	-
Greater European cap	134.7	141.8	-0.40	-
Greater European acc	143.1	150.7	-0.40	-
North American cap	151.8	159.8	+0.10	-
North American acc	161.1	169.6	+0.10	-
UK Equity cap	128.2	135.0	-0.10	-
UK Equity acc	136.3	143.5	-0.10	-

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Gwth	735.0			-
Multi Gwth A Cap	462.8	487.1		-
Multi Gwth A Accum	735.1	773.8		-
Op Prop	431.5	454.3	-0.1	-
Op Equity	859.6	904.9	-0.6	-
Op High Yld	580.4	610.4	+4.7	-
Op Man	756.0	795.8	-0.1	-
Op Dep	379.9	399.9		-
Op Inc Dist	229.1	241.2	+0.9	6.180
Op Itn Man	456.3	480.4	-0.6	-
Op Emerging Co's	439.1	462.3	-0.7	-
Op Money	105.9	111.5	[illegible]	-

Scottish Provident Group
6 St Andrew Sq, Edinburgh 031-556 2662
Scottish Provident Institution Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
With-Profits	106.7	112.4	+0.1	-
Managed	257.5	271.2	+0.8	-
Blue Chip	139.3	146.7	+1.0	-
Equity	269.4	283.7	+0.9	-
International	279.7	294.6	-0.1	-
Property	201.2	211.9	+0.1	-
Fixed Interest	223.0	234.8	+1.3	-
Index-linked	184.8	194.6	+1.2	-
Cash	181.6	191.3	+0.1	-
Money Market	119.5	125.9	+0.1	-
Americas Performance	182.0	191.6	-0.5	-
Europe Performance	120.7	127.2	+0.7	-
Far East Performance	126.7	133.5	-0.5	-
Worldwide Performance	142.4	150.0	+0.2	-
Pension Funds				
With-Profits Ord	200.2	210.8	+0.2	-
Managed Ord	318.5	335.3	+0.8	-
Blue Chip Ord	146.6	154.4	+1.3	-
Equity Ord	333.9	351.5	+1.4	-
International Ord	343.3	361.5	-0.1	-
Property Ord	254.8	268.2	+0.2	-
Fixed Interest Ord	304.9	321.1	+2.3	-
Index-linked Ord	202.4	213.2	+1.3	-
Cash Ord	252.6	266.0	+0.1	-
Building Society Ord	191.3	201.5	+0.1	-
Americas Performance Ord	203.6	214.7	-0.7	-
Europe Performance Ord	115.7	121.8	+0.9	-
Far East Performance Ord	144.9	152.7	-0.8	-
Worldwide Performance Ord	157.4	165.8	+0.2	-

Scottish Provident Assurance Ltd Fund (formerly Prolific Life & Pensions Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Adventurous Mngd	193.8	206.2	-0.7	-
Balanced Gwth Mngd	767.3	816.3	+1.4	-
Cautious Mngd	142.4	151.5	+0.4	-
Fixed Interest	455.1	479.6	+0.9	-
Gilt Fund 20	478.6	509.2	+0.5	-
Equity	916.6	975.4	+0.5	-
International	412.6	439.0	-0.2	-
Property	227.2	241.8		-
Cash	327.6	348.5		-
Special Situations	[illegible]	[illegible]	[illegible]	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Dollar squeezed higher

A short-squeeze pushed the dollar sharply higher against the Yen in late London trade, *writes Conner Middelmann.*

Following several days of slippage against the Japanese currency, the dollar sank as low as Y105.50, where many traders had expected to see central bank intervention in support of the US currency.

A substantial buy order from a large US bank and unsubstantiated rumors that the US Federal Reserve was buying dollars put an abrupt halt to the dollar's slide and caused it to jump higher, hitting an intra-day peak of Y107.05.

Further buoying the dollar was a slew of strong data: capacity utilisation at the highest level since August 1990 at 82.4 per cent, as well as strong industrial production, business sales and inventory figures.

However, dealers say the dollar-yen exchange rate is likely to remain volatile ahead of tomorrow's vote in the US congress over the North American Free Trade Agreement (Nafta) and Friday's meeting in Seattle between US President Bill Clinton and Japan's prime minister Morihiro Hosokawa.

The Nafta vote still looks a close call and if the pact is rejected that would hit not only the currencies of the trading partners concerned - Mexico and Canada - but also the US dollar since it would be seen as a major defeat for the Clinton administration.

The weakness of the Canadian dollar prompted intervention by the Canadian central bank, which bought Canadian dollars for US dollars around C$1.3245, dealers said. The Canadian dollar closed in London around C$1.3240.

The D-Mark weakened against the dollar and some European currencies on widespread expectations for a substantial reduction in the 15-day rate for securities repurchase agreements today. Most dealers expect the lowest-accepted repo rate to ease by eight to 10 basis points from last week's 6.38 per cent. The dollar closed at DM1.6900, but rose as high as DM1.6950 in late London inter-bank trading.

The Belgian franc received a small lift from widespread hopes that the government is close to agreeing a new austerity package. It closed at BFr21.35 against the D-Mark, after BF21.37 on Friday.

Sterling profited from D-Mark weakness and last week's stronger-than-expected trade data and ended at DM2.5175, up one pfennig from Friday's closing. Against the dollar, it advanced modestly to $1.4895, from $1.4830 on Friday.

In Spain, a higher-than-expected October inflation number caused the currency to weaken as traders feared that higher prices would lead to tougher demands in the country's ongoing wage restraint talks. The Spanish currency ended at Pta81.25 against the D-Mark, after Pta80.78 on Friday.

Meanwhile, the Italian lira remained beset by political worries ahead of Sunday's municipal elections. The lira ended at L984.5 against the D-Mark, after L979.5 on Friday.

£ IN NEW YORK

Nov 15	Latest	Previous Close
£ Spot	1.4875-1.4885	1.4845-1.4850
1 month	[illegible]	[illegible]
3 months	0.83-0.81pm	0.83-0.81pm
12 months	2.49-2.43pm	2.50-2.45pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 15	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15067	-2.10	6.11	-
D-Mark	1.94964	1.91605	-1.72	4.71	-
Irish Punt	0.808628	0.805724	-0.36	3.28	2
Spanish Peseta	154.250	155.776	0.99	1.90	-7
Portuguese Escudo	192.854	196.083	1.67	1.21	-11
Belgian Franc	40.2123	40.9078	1.73	1.18	-13
French Franc	6.53883	6.67388	2.06	0.83	-17
Danish Krone	7.43679	7.65294	2.91	0.00	-20

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4875 - 1.4925	1.4890 - 1.4900	0.33-0.32cpm	2.62	0.82-0.79pm	2.16
Canada	1.9595 - 1.9765	1.9705 - 1.9715	0.29-0.22cpm	1.62	0.70-0.58pm	1.28
Netherlands	2.8175 - 2.8328	[illegible]	par-¼cdis	-0.27	¼-¾dis	-0.36

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	95.67	95.62	95.67	95.61
Mar	96.10	96.16	96.10	96.13
Jun	96.34	96.37	96.32	96.35
Sep	96.44	96.47	96.42	96.45

Estimated volume 8022 (10364)
Previous day's open int. 52865 (51270)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	91.28	91.38	91.25	91.34
Mar	91.97	92.03	91.94	92.02
Jun	92.38	92.43	92.36	92.43
Sep	92.62	92.66	92.61	92.65

Estimated volume 5641 (4923)
Previous day's open int. 113191 (112552)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	3097.0	3123.0	3093.0	3113.0
Mar	3115.0	3138.5	3127.0	3130.5
Jun	3128.0	3148.0	3148.0	3141.0

Estimated volume 13853 (19968)
Previous day's open int. 66171 (66630)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF) (Nov 15)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
123	0.92	-	-	0.09	0.10	-
124	0.25	3.93	-	0.40	0.15	-
125	0.03	-	-	1.22	0.31	-
126	0.01	2.34	-	-	0.53	-
127	-	-	-	-	0.85	-
Open Int	201,489	98,613	890	179,785	84,265	980

Estimated volume 46,041 † Total Open Interest 686,102
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4895	1.4863	1.4815	1.4752	1.4657

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	●Rea Brothers	6
Allied Trust Bank	6	Exeter Bank Limited	7	* Roxburghe Bank Ltd	6
AIB Bank	6	Financial & Gen Bank	7	* (in administration)	
●Henry Ansbacher	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Bank of Baroda	6	Girobank	6	●Smith & Williamson Secs.	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	TSB	6
Bank of Ireland	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Bank of Scotland	6	●Hill Samuel	6	Western Trust	6
Barclays Bank	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
●Brown Shipley	6	Julian Hodge Bank	6	Yorkshire Bank	6
CL Bank Nederland	6	●Leopold Joseph & Sons	6		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (in administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	6				

● Members of British Merchant Banking & Securities Houses Association

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.15) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3½	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY MARKETS

Danes cut rates

The Danish central bank yesterday cut its discount and deposit rates by ¼ point to 6¾ per cent, *writes Conner Middelmann.*

The move is expected to be followed today by a ½-point cut in the certificate of deposit rate to 7½ per cent. If so, the CD rate will have eased by 3½ percentage points since August 2, when the fluctuation bands for most currencies in the European exchange-rate mechanism were widened to 15 per cent.

The Danish krone has been the weakest currency in the EMS grid for some time. However, among Europe's central banks the Danish central bank has been among the most aggressive in taking advantage of the wider bands to ease interest rates independently of the Bundesbank, and analysts say the process is likely to continue amid high unemployment, a sluggish economy and a relatively stable currency.

**UK clearing bank base lending rate
6 per cent
from January 26, 1993**

In Germany, operators are getting geared up for another drop in the rate for securities repurchase agreements at today's allocation of 15-day variable-rate repos.

According to a survey of German money dealers by market analysis firm MMS International, most traders are calling for a drop in the repo rate by some 8 basis points to 6.30 per cent. Fairly comfortable liquidity conditions and expected drains from tax payments this week should roughly balance each other out, so that only a very small addition to liquidity is seen, according to MMS's analysts.

However, most traders do not expect the Bundesbank's central bank council to cut leading interest rates at its meeting on Thursday. Instead they expect further reductions in the bank's discount and Lombard rates in December.

The December three-month Euromark futures contract on LIFFE ended at 93.92, up 0.03 point from Friday.

In France, the central bank left money market rates unchanged at its latest round of securities repurchase agreements, as expected. The Pibor futures contract ended at 93.55, up 0.01 point from Friday.

UK money market conditions were stable ahead of Wednesday's retail price and sales data. "Wednesday is a bit of a watershed - it will set the tone for the run-up to the Budget," said a London money dealer. He said market hopes for a substantial rate cut accompanying the November 30 Budget were waning.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY | NETHERLANDS | SWEDEN | SWITZERLAND | ITALY | SPAIN | NORWAY | DENMARK | BELGIUM/LUXEMBOURG | FINLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE | MALAYSIA

[illegible]

CANADA

TORONTO

4 pm close November 15

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
3700	CanTng	125	121	125	
4075	CanGen	u$33¼	32⅞	33¼	+1¼
8119	Cantor	$39½	39	39⅜	+⅛
311572	CanPcF	$18⅛	17⅞	18⅛	+¼
300	CaraOp	490	490	490	+10
750	Catan	u$59¾	58	59¾	+¼
11788	CntCap	44	35	43	+7
51700	CineOd	425	405	415	
7600	CntFdA	$6⅞	6⅞	6⅞	
171002	Comnco	$16¾	16½	16¾	+¼
14000	Cmptg	320	320	320	
17064	CorelS	$46	45¾	45¾	-¼
7500	Coscan	300	290	290	-10
155411	CrownXA	$5⅞	5⅝	5⅞	+⅛
108500	IntPlas	13	d12	12	
211995	IntpvP x	$30⅝	30	30⅜	+¼
14775	InvstG	$42¼	41⅝	42⅛	+½
72991	IvacoA	$7⅛	6⅞	7	-⅛
19300	Jnnock	$19½	19⅜	19⅜	
350	KerrAd	$22½	22¼	22¼	
90065	Labatt	$23⅝	23¼	23⅜	-⅛
671010	LacMin	$11⅞	10⅞	11	
188	Lterge	$27¼	27	27	-⅛
13050	LdlawA	$9¼	9	9	-⅛
370985	LdlawB	$9⅛	8⅞	8⅞	-⅜
1484	LauBk	$18⅜	18⅜	18⅜	
1080	ReedSt	$25⅞	25⅝	25⅞	+⅝
42600	RelmS	u$24¾	24¾	24¾	+¾
160587	Ren En	$29½	28⅞	28⅞	-½
203850	Repap	405	390	405	+5
187170	Rigel	$19¾	19½	19¾	+¼
2900	RioAlg x	$19½	19¼	19¼	-⅜
177205	RogCmB	$23⅛	22¾	22½	-⅝
50	Rothmn	$99¼	99¼	99¼	-¾
366082	RoyBkC	$26⅞	26⅝	26⅞	
415048	RoyOak	$6⅝	6¼	6½	+⅛
14806	StLwrA	u$10¼	9⅝	10¼	+½
16157	SceptR	$14¾	14½	14½	-¼
4100	ScottP	$10⅝	10¼	10⅝	+¼
1300	CnMarc x	$14½	14½	14½	+⅛
30425	Cscade	$6½	6⅞	6⅞	-¼
2400	GTC B	$12⅛	12⅛	12⅛	
8899	JCoutu	$13⅛	12⅞	13	-⅛
136500	MrRich	$10⅞	10⅝	10⅞	+¼
70010	NatBkC	$10¼	10⅛	10⅛	-¼
7325	QbcorA	$19⅛	19	19	-¼
9623	Univa	$7⅞	7⅝	7⅝	-¼
25330	Vdtrn	$27	26¾	26⅞	+¼

Total Sales 32,801,390 shares

MONTREAL

4 pm close November 15

[illegible]

INDICES

NEW YORK

DOW JONES	Nov 12	Nov 11	Nov 10	Nov 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3684.51	3682.43	3683.55	3640.07	3697.64 (2/11)	3241.95 (20/1)	3697.64 (2/11/93)	41.22 (2/7/32)
Home Bonds	109.17	109.13	108.97	108.94	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1752.87	1734.98	1741.39	1725.36	1752.87 (12/11)	1453.84 (4/1)	1752.87 (12/11/93)	12.32 (8/7/32)
Utilities	224.85	223.97	225.08	225.09	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3707.42 (3700.43) Low 3649.74 (3638.40) (Theoretical)
Day's High 3690.55 (3678.79) Low 3662.43 (3650.66) (Actual)

STANDARD AND POOR'S	Nov 12	Nov 11	Nov 10	Nov 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	465.39	462.64	463.72	461.29	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials¶	538.62	534.96	535.39	530.47	538.75 (12/11)	496.48 (26/4)	538.75 (12/11/93)	3.62 (21/6/32)
Financial	43.85	43.57	44.05	44.02	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	257.57	256.08	256.57	254.97	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (28/4/42)
Amex Mkt. Value	478.60	477.98	476.70	478.02	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Composite	778.32	776.98	776.50	768.64	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Nov 5	Oct 29	Oct 22	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.77	2.79	3.20
	Nov 10	Nov 3	Oct 27	year ago (approx.)
S & P Industrial div. yield	2.40	2.41	2.42	2.65
S & P Ind. P/E ratio	26.68	26.61	26.51	27.72

	Nov 15	Nov 12	Nov 11	Nov 10	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2082.9	2074.0	2052.4	2042.9	2132.40 (1/11)	1495.00 (13/1)
All Mining (1/1/80)	873.4	870.4	864.8	868.0	904.50 (2/8)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	415.42	413.31	413.77	418.03	424.89 (2/11)	300.26 (14/1)
Traded Index (2/1/91)	1064.34	1052.81	1054.73	1067.33	1084.43 (2/11)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1376.33	1380.47	1387.33	1387.33	1391.89 (4/11)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	351.54	351.83†	352.21	352.57	355.14 (4/11)	281.80 (4/1)
FINLAND						
HEX General (28/12/90)	1516.8	1531.0	1532.8	1520.1	1607.70 (3/11)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	587.48	582.18	(c)	580.97	609.73 (26/10)	471.24 (13/1)
CAC 40 (31/12/87)	2117.90	2096.85	(c)	2087.33	2221.55 (22/10)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	788.68	777.80	779.53	784.88	803.70 (2/11)	598.92 (14/1)
Commerzbank (1/12/53)	2249.1	2222.0	2228.0	2244.9	2300.40 (3/11)	1694.30 (14/1)
DAX (30/12/87)	2048.11	2015.01	2023.33	2023.84	2095.58 (2/11)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	9733.34	9701.25	9874.83	9925.44	9733.34 (15/11)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1832.8	1830.05	1842.03	1833.46	1849.27 (3/11)	1181.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	545.42	546.32	538.87	533.45	632.86 (30/8)	446.33 (8/1)
MIB General (4/1/93)	1202.0	1204.91†	1188.0	1176.0	1390.98 (30/8)	992.00 (11/1)
JAPAN						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK ACTIVE STOCKS | TRADING ACTIVITY

CANADA TORONTO

[illegible]

TOKYO - Most Active Stocks

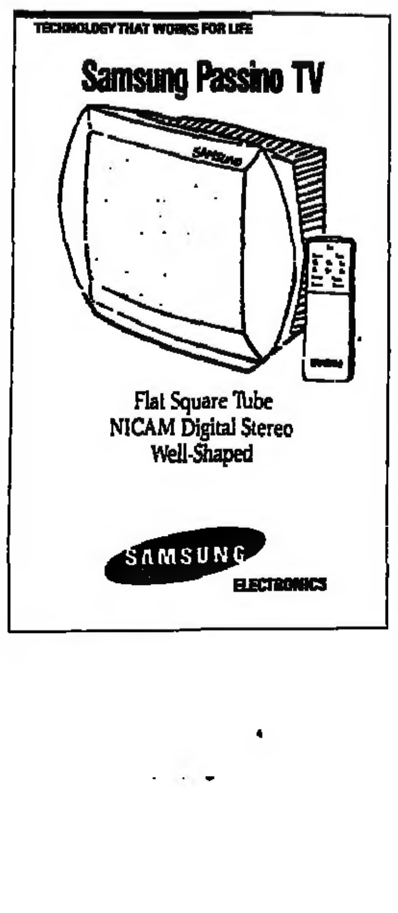
Monday, November 15, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	334	-2	Higashi NIP Bk	2.8m	783	-2
Kawasaki Steel	3.2m	324	+1	Nomura Sec	2.5m	1,910	-20
NKK Corp	3.0m	260	+8	Mitsubishi Hvy	2.4m	651	+2
Hitachi	2.8m	788	-15	Hitachi Zosen	2.3m	588	-12
Dai Nippon Paint	2.7m	1,610	-20	Mitsubishi Electric	2.2m	525	-13

4 pm close November 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14 5/8	11 1/2	AAR	0.48	3.6	875	113	13 7/8	13 1/2	13 1/2	-3/8
28 3/8	13 3/4	A L Labs A	0.18	1.2	33	215	14 7/8	14 1/2	14 1/2	-3/8
67 1/4	54 5/8	AMP	1.60	2.5	22	2181	63 1/4	62 5/8	62 3/4	-5/8
72 3/4	65 1/2	AMR			66	3523	71 5/8	70 5/8	71 3/8	+3/8
3 7/8	1 3/4	ARX			13	90	3 1/2	3 3/8	3 1/2	+1/8
51 1/2	29 5/8	ASA	2.00	4.1	32	582	49 7/8	49 1/4	49 1/4	-3/4
30 3/4	22 5/8	AbbtL	0.68	2.4	17	9435	29 3/8	28 3/4	28 7/8	-1/4
12 5/8	8 1/4	Abitibi Pr	0.50	4.7	8	24	10 3/4	10 5/8	10 3/4	
15 5/8	8 1/4	Acptmcelo			39	238	12 7/8	12 5/8	12 5/8	-3/8
39	25 1/2	ACE Ltd	0.92	2.9	5	574	31 1/2	31 1/8	31 1/4	-3/8
12	10 3/4	ACM Gvt In	0.96	8.1		258	11 7/8	11 3/4	11 7/8	
10 1/8	9 1/8	ACM GvOpp	0.80	8.4		24	9 5/8	9 1/2	9 1/2	-1/8
10 1/8	8 3/4	ACM Gvt Sp	0.80	8.2		572	10	9 3/4	9 3/4	-1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.3		153	d11 5/8	11 1/2	11 5/8	+1/8
11 7/8	9 5/8	ACM Man	1.08	9.3		148	11 3/4	11 5/8	11 5/8	-1/8
9 5/8	8 5/8	ACM Managd	0.72	7.9		92	9 1/4	9 1/8	9 1/8	
12 3/8	7 3/4	AcmeClv	0.44	4.2	13	31	10 3/8	10 1/8	10 3/8	+3/8
11 3/8	6 3/8	Acme Elect			39	66	9	8 3/4	8 3/4	
27 5/8	18 3/8	Acordia	0.44	1.9	12	11	22 7/8	22 3/8	22 7/8	-1/8
16	10 3/8	Acuson			62	244	14	13 3/4	13 3/4	-1/8
21 3/4	18 1/4	Adams Expr	0.48	2.4	1	825	19 5/8	19 3/4	19 5/8	+1/4
88 1/4	45 1/2	Ad Micro	3.00	6.0		318	50 1/4	49 3/4	50 1/4	+1/4
32 3/4	17 5/8	AdvMic	3.00	15.0	7	3074	20 1/4	19 3/4	20	+1/4
8 1/8	5 1/2	Advest Grp	0.16	2.3	12	44	7 1/8	7	7	-1/8
24 3/4	14 1/4	Advo Inc	0.08	0.5	73	45	15 1/2	15 1/4	15 1/2	+1/4
51 3/4	41 1/8	Aegon ADR	1.23	2.4	10	168	50 3/4	50 3/8	50 3/4	+3/8
68 3/4	43 5/8	Aetna	2.76	4.6	25	2001	60 1/4	59 3/4	60	+1/4
[illegible]										



Continued on next page

4 pm close November 15

NYSE COMPOSITE PRICES

Continued from previous page

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
25¾	18⅞	Safeg'd Sc			12	192	u25¾	25	25¾	+⅝
24⅞	13¼	SfyKl	0.38	2.7	20	1798	13½	d13⅛	13¾	-¼
22¾	10⅞	Safeway			26	2590	21⅝	21	21¼	+¼
5¼	2	SafewayW98				106	4⅞	4¾	4⅞	+⅛
55	37½	StJoePaper	0.20	0.4	152	143	63⅛	62	62	-⅞
37⅞	31	StJoeL&P	1.76	5.6	12	16	32	31⅝	31⅝	-¼
98	75	StPaul	2.80	3.1	14	784	89⅞	89	89⅞	+⅞
11⅛	7¾	Salant Crp			4	197	8⅛	7¾	7¾	-½
75¾	39⅞	Sallie Mae	1.20	2.6	10	1744	46	45¼	45¾	+½
14⅞	13	Salomon Br	0.32	2.3		697	u14⅞	14⅛	14⅛	
51⅞	34	Salomon	0.64	1.5	10	2226	45⅞	43	43	-2
27¼	23¼	SnDgGE	1.48	6.1	13	462	24½	24⅛	24⅜	
5	3½	SantaFeEDu	0.40	8.2	46	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeERs	0.18	1	6333	229	10	9⅞	10	
40¾	35¼	SantaFePac	2.80	7.2	18	43	39	38⅝	39	+¼
20¾	12¼	SanFeP	0.10	0.5	8	6806	u21⅞	20¾	20¾	
31⅛	21	SaraLee	0.58	2.1	19	4255	27⅞	27½	27¾	
52¼	40⅛	Scana Corp	2.74	5.6	13	227	48⅝	48½	48½	-⅛
25¾	20	Scecrp	1.42	7.0	13	7835	20¼	20⅛	20¼	+⅛
38⅞	23⅞	ScheringP			29	385	33⅛	33	33	-⅛
71	51¾	SchrPl	1.80	2.7	16	6483	67⅞	66⅞	66⅞	-1
69⅞	55⅝	Schlmb	1.20	2.0	28	5202	61⅞	60	60	-2⅛
38⅞	16½	SchwabC	0.20	0.6	16	1746	33⅞	32¾	33¼	-⅞
7¾	5⅞	Schweitzer			94	61	6¾	6⅝	6⅝	-⅛
38⅞	17¾	SciAtl	0.12	0.4	50	2321	35	33¼	33¼	-¾
13⅞	9⅛	Scotman	0.10	0.8	12	8	12⅞	12¾	12⅞	
41	31	ScottP	0.80	2.1	23	1220	38	37¼	37½	-½
26⅞	14¼	ScuddrNAsF	0.21	0.8		59	24⅞	24⅝	24¾	+⅛
11⅛	7½	ScuddrNEuF	0.16	1.6		703	9⅞	9⅝	9¾	+⅛
31½	16¾	SeaCnG	0.70	3.7	9	2100	18¾	18¾	18¾	-⅛
17	15	SeaC1.4625	1.46	9.8		9	15¼	d15	15¼	
30⅛	24½	Seagrm	0.56	2.0	19	1755	27½	27¼	27⅜	
32⅞	15	Seagull En			46	2121	27	25⅝	25⅞	-1⅛
30⅛	21	Sealed Air			23	18	29⅜	29⅛	29⅜	+⅛
60⅛	42⅝	SearsR	1.60	2.8	33	4474	57⅛	56½	57	+⅝
13¾	12⅝	Seligm Sel	0.84	6.3		20	13⅜	13¼	13⅜	
46½	30	Sensormat	0.30	0.7	31	3567	46¼	45¾	45¾	-⅛
34½	18	SequaA	0.60	1.9	16	89	31⅝	30¾	31½	-⅛

AMEX COMPOSITE PRICES

4 pm close November 15

NASDAQ NATIONAL MARKET

4 pm close November 15

AMERICA

Dow lower on bond yields, Nafta worries

Wall Street

RISING BOND yields and concern about the fate of the North American Free Trade Agreement kept US share prices firmly anchored in negative territory yesterday morning, *writes Patrick Harverson in New York*.

At 1 pm, the Dow Jones Industrial Average was down 14.26 at 3,670.25. The more broadly based Standard & Poor's 500 was 2.05 lower at 463.34, while the Amex composite was down 0.74 at 478.86, and the Nasdaq composite down 5.78 at 773.54. Trading volume on the NYSE was 147m shares by 1 pm.

The markets opened the week in an uncertain mood. Although the economic background continues to improve – official data yesterday showed that industrial production rose by a stronger than expected 0.8 per cent in October – investors remain troubled by several factors: rising bond yields, which may be a precursor of higher short-term interest rates; the high valuations of stock prices, which may lead to a substantial correction if investor sentiment suddenly turns negative; and the possibility that Congress may reject Nafta tomorrow.

The concerns about interest rates were at the forefront yesterday because of another rise in bond yields. The yield on the benchmark 30-year bond climbed to 6.18 per cent in the wake of the strong industrial production data. Nafta was also on the minds of investors, who fear that if Congress votes against Nafta this week, long-term economic growth, and corporate profits could suffer.

Among individual stocks, shares of the major television network companies were all higher on the news of a court ruling that will allow networks to own financial stakes in shows produced by outsiders. CBS rose $5¼ to $300¾, Cap Cities ABC added $5⅞ at $625 and General Electric, parent of NBC, firmed $¾ to $94½.

Paramount Communications fell $2⅝ to $80¾ as investors appeared unimpressed by a sweetened takeover offer from QVC Network. The original agreed offer from Viacom still appears close to success in the bid battle, although a court ruling today on the legality of a special anti-takeover agreement between Paramount and Viacom may alter the final outcome. Viacome shares were down $⅛ at $54¼ and QVC up $1⅛ at $51⅛.

Telefonos de Mexico, the biggest "Nafta-play" in the market, fell $¾ to $54⅝ in volume 2m shares on fears that the trade pact will collapse.

UAL dropped $5⅜ to $143 after the broking house Bear Stearns downgraded the airline's stock.

MEXICAN shares again set record levels in early trading on expectations of a positive result in a vote by the US congress tomorrow on Nafta.

The IPC index was up 21.20 at 2,129.64 in turnover of 72m pesos. Telefonos de Mexico firmed 10 centavos to 7.9 pesos.

Canada

IN contrast to Mexico, share prices in Toronto eased at mid-session on worries over the outcome of tomorrow's Nafta vote in the US.

The TSE-300 composite index was down 12.92 at 4,289.86 in volume of 31.1m shares.

SOUTH AFRICA

GOLDS were easier in line with weak bullion prices, but other shares staged a late comeback. The golds index ended 41, or 2.1 per cent, lower at 1,942, while industrials gained 15 at 4,636 and the overall index dipped 6 to 4,103.

EUROPE

Frankfurt climbs 1.7% on zero growth warning

THE THIRD quarter results season was well under way, but Frankfurt preferred to second-guess the Bundesbank once again, *writes Our Markets Staff*.

FRANKFURT heard chilling economic news at the weekend; yet it took the DAX index up by 34.10, or 1.7 per cent to 2,049.11. Turnover leapt from DM6.7bn to DM9.7bn.

Mr Horst-Kaspar Greven, an institutional adviser at Merck Finck in Düsseldorf, said that hopes for further interest rate cuts were raised by the forecast of zero West German growth in 1994 by Germany's "five wise men", the government's independent economic advisers.

However, he said, this also weakened the other leg of the German equity scenario, which would involve the beginnings of corporate earnings recovery from the middle of 1994.

Two of yesterday's best performers, Mannesmann and Thyssen, were losing money at the moment, he said. Mannesmann, up DM13.40 to DM369.80, had accumulated a gain of DM30.10 over the past five trading days. Yesterday saw a big US buy order and one dealer said that reports of a forthcoming telecommunications link between AT&T, France Telecom and Deutsche Telekom had excited fans of Mannesmann's telecoms offshoot.

In financials, Bayerische Vereinsbank rose DM18, or DM3.5 per cent to DM527 following an analysts meeting late last week, while AMB dropped DM45 to DM1,405 for a two-day drop of DM95 from last week's speculative peak.

PARIS saw a spate of nine-month figures as the CAC-40 index rose 21.05, or 1 per cent to 2,117.90, short of its day's high of 2,128. Analysts said that the market took its main encouragement from a number of external factors, including strength in Germany and hopes that trade talks will be boosted by an agreement on Nafta later in the week.

Rhône Poulenc was up FFr3.40 at FFr153.60 ahead of a government announcement on privatisation details after the close. Among those releasing turnover figures, Bouygues added FFr4 to FFr655 on a small fall in the numbers.

AMSTERDAM remained strong with VNU showing one of the day's biggest gains, but in small volume. The publisher's shares gained Fl 6.50 to Fl 158.00, just off their all time high of Fl 158.20 as the CBS Tendency index added 2.5, or 1.8 per cent to 187.9.

Unilever recovered some of last week's losses on its third quarter figures, closing a net 62 cents higher at Fl 212.10, ex a Fl 1.48 interim dividend. After reflection, some analysts have returned fairly positive comments on the group. Hoare Govett, in sticking to its buy recommendation, noted that while the headline figures may have been unsatisfactory, the "underlying picture" remained good.

ZURICH found interest in corporate developments but the SMI index eased 3.7 to 2,717.4.

CS Holding added SFr45 to SFr3,425 on a share split, and its offer for Leu Holding, the private banking group. Leu fell SFr98 or 16.6 per cent to SFr690. BK Vision, which invests in shares of leading Swiss banks and insurers, rose SFr80 or 4.7 per cent to SFr1,770 after it sold its Leu shares to CS Holding.

Alusuisse, planning to buy Canada's Lawson Mardon group packaging company, fell SFr15 to SFr515.

Holderbank, the cement producer which found strong demand last week, saw profit-taking as its forecast of a 3.9 per cent rise in current year profits proved at the bottom end of expectations. The shares dipped SFr11 to SFr859.

MILAN was inhibited by today's end of the monthly account and the Comit index eased 0.90 to 545.42.

Fiat rose to an early L3,748 before easing to finish L19 lower at L3,609. Pirelli, firmly denying market rumours that it planned a rights issue, picked up L39 of last week's losses to finish at L1,775.

BCI, forecasting a net profit for the current year as it launched its privatisation prospectus, added L36 to L2,253.

MADRID responded to third quarter results as the general index closed 0.85 higher at 300.89 in turnover of some Pta19.5bn. In banks, a small reduction in nine-month profits left Central Hispano Pta50 lower at Pta3,595 while in motors, quintupled losses at Nissan Iberica left it Pta28, or 14.6 per cent down at Pta164.

Pryca, the supermarket retailer, rose Pta45 to Pta1,425. Its figures, incorporating a 15 per cent gain in profits, came in after hours but Ms Alexandra Perricone at James Capel thought that after a period of share price weakness, the market would be satisfied with this performance.

ISTANBUL gained 4 per cent helped by easier money market rates and a calmer political situation. The composite index was up 610.7 at 15,788.5.

Investors were also encouraged by news that the government intends to push ahead with privatisation plans after the forthcoming party congress.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

FT-SE Actuaries Share Indices

November 15 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1344.01	1344.51	1344.38	1346.15	1347.64	1348.36	1348.34	1347.91
FT-SE Eurotrack 200	1410.80	1411.15	1411.86	1413.90	1414.99	1414.51	1414.30	1413.88

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8
FT-SE Eurotrack 100	1339.42	1335.92	1334.90	1346.87	1337.43
FT-SE Eurotrack 200	1402.18	1403.42	1401.16	1405.41	1395.82

Base value 1000 (26/10/90) High/day: 100 - 1348.80; 200 - 1415.82 Low/day: 100 - 1343.82 200 - 1410.80

ASIA PACIFIC

Nikkei average declines by 2.3% as region advances

Tokyo

THE NIKKEI average lost 2.3 per cent on worries over political reform negotiations, arbitrage selling and unwinding of margin positions, *writes Emiko Terazono in Tokyo*.

The 225-issue index was down 418.94 at 18,074.61 after a day's high of 18,506.95 and low of 17,952.20. Volume was 280m shares, against 438m.

Weak futures prices triggered a wave of heavy arbitrage-linked selling, which constituted one third of the volume.

Declines led gains by 833 to 208, with 123 issues unchanged. The Topix index of all first section stocks fell 26.42, or 1.7 per cent, to 1,539.65 and, in London, the ISE/Nikkei 50 index eased 0.43 to 1,237.71.

Traders said many investors were concerned about the prospects of Mr Morihiro Hosokawa, the prime minister, achieving a breakthrough in political reform talks with the opposition Liberal Democratic party. "If the political reform bills do not pass through the lower house in the next few days, there will be a big delay in decision making regarding measures to boost the economy," said Mr Yasuo Ueki at Nikko Securities.

Analysts also pointed to the absence of public funds, which had been the main support for share prices until East Japan Railway was listed last month.

Mr Makoto Takano, an analyst at Daiwa Research Institute, estimated that the postal insurance and welfare organisation, which invests postal insurance funds for the Ministry of Posts and Telecommunications, only had around Y600bn ($5.65bn) left to invest in stocks this fiscal year to March.

If public pension fund managers were to place 5 per cent of the market turnover per day, this would only leave 34 to 45 days worth of funds available, he said.

JR East weakened Y16,000 to Y462,000, while NTT shed Y26,000 to Y773,000. Railway stocks were lower, with Keisei Electric Railway dropping Y33 to Y896.

The yen's rise to the Y105 level against the US dollar prompted selling in export-oriented stocks. Hitachi fell Y13 to Y798 and Sony declined Y80 to Y4,810. Toyota Motor retreated Y20 to Y1,770 and Nikon dipped Y40 to Y830.

Banks fell on arbitrage-related selling. Industrial Bank of Japan lost Y50 to Y3,180 and Sakura Bank Y40 to Y1,600.

In Osaka, the OSE average receded 317.78 to 20,288.58 in volume of 18.5m shares.

Roundup

MOST of the region's markets began the week in strong form.

HONG KONG established another record close, although profit-taking trimmed gains after the Hang Seng index breached 9,800. The index ended 32.09 higher at 9,733.34, having peaked at 9,825.50 during the early afternoon.

The upbeat tone was set by Beijing's vow to speed market-style reform and by hopes that the forthcoming meeting between the Chinese and US presidents will improve links.

HK Telecom accounted for the bulk of the index's retreat, ending 40 cents down at HK$16.50, having been 20 cents ahead at one stage.

SEOUL finished at a year's high for the fourth consecutive session on the back of an across-the-board buying spree pared only by light profit-taking. The composite stock index added 14.07 at 810.72.

Buying interest was strong in heavily weighted financial shares and securities houses, taking the securities sub-index 115.40 higher to 2,748.07, but expensive blue chip manufacturers faced consolidation.

TAIWAN set a new five-month closing high, helped by weekend news that the Finance Ministry would allow a further batch of commercial banks to invest in the market.

The weighted index advanced 57.91 to 4,329.05 in turnover of T$47.5bn.

Foreign institutions were active in the electronics sector, with Acer closing limit up at T$32.10 after last week's news that it was to raise its 1993 profits target by 25 per cent.

KARACHI was sharply higher on strong buying of blue chip stocks. The KSE index added 16.74 at 1,717.07, its best level in 28 months.

COLOMBO retreated after the recent bull run as foreign investors were unnerved by heavy army losses in last week's Tamil rebel raid. The all-share index relinquished 22.18 to 895.74.

KUALA LUMPUR weakened in reaction to continued restrictions on purchases and the lower Tokyo market. The composite index dipped 11.10 to 961.37. SINGAPORE fell on profit-taking, leaving the Straits Times Industrial index 16.45 lower at 2,095.55.

MANILA improved, with some interest seen in oil stocks. The composite index rose 18.19 to 2,384.89 in turnover of 1.2bn pesos.

AUSTRALIA lost a large proportion of early gains on late profit-taking and the All Ordinaries index finished a net 8.5 up at 2,082.9. Turnover was a thin A$328.4m.

Fairfax ended 2 cents down at A$3.17 ahead of announcing a 124 per cent jump in first-quarter profits after the market had closed.

NEW ZEALAND fell back as most investors continued to await the final outcome of last week's general election. The NZSE-40 capital index slipped 11.17 to 1,998.71.

Hong Kong hears a different story

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-0.83	-0.11	+32.02	+29.07	+24.99	+22.43
Belgium	-0.40	+0.80	+22.27	+23.29	+15.77	+13.39
Denmark	+0.04	+3.59	+32.29	+37.89	+31.10	+28.42
Finland	-1.89	+2.15	+101.13	+93.91	+77.54	+73.93
France	+0.63	-1.19	+19.38	+17.48	+12.55	+10.24
Germany	-0.07	+0.46	+30.81	+30.56	+27.62	+25.01
Ireland	+0.55	+5.66	+65.21	+49.85	+32.67	+29.95
Italy	-1.45	-6.63	+31.12	+29.51	+17.59	+15.18
Netherlands	-2.00	+2.36	+33.19	+31.15	+28.28	+25.65
Norway	-1.22	+0.29	+50.41	+36.09	+30.49	+27.82
Spain	+0.27	-0.32	+52.50	+40.59	+20.33	+17.86
Sweden	+0.51	+0.09	+76.76	+38.58	+21.95	+19.46
Switzerland	+2.24	+4.74	+41.72	+32.31	+32.23	+29.52
UK	+0.20	-0.86	+15.89	+10.25	+10.25	+7.99
EUROPE	+0.13	-0.06	+26.10	+21.14	+17.75	+15.34
Australia	-0.20	+0.37	+47.31	+28.94	+26.05	+23.47
Hong Kong	+8.65	+13.73	+49.38	+76.59	+80.66	+76.96
Japan	-0.80	-4.00	+26.38	+20.56	+44.75	+41.80
Malaysia	+2.57	+6.56	+74.11	+80.49	+88.92	+85.06
New Zealand	-8.61	-4.70	+50.48	+33.20	+42.50	+39.50
Singapore	+2.50	-3.54	+54.49	+43.74	+51.07	+47.98
Canada	+2.50	+3.51	+22.58	+21.03	+19.66	+17.21
USA	+1.40	-0.99	+9.73	+6.50	+8.73	+6.50
Mexico	+1.59	+6.59	+22.97	+14.23	+12.65	+10.34
South Africa	+3.22	+6.16	+42.64	+32.86	+53.32	+50.18
WORLD INDEX	+0.61	-1.11	+20.24	+16.09	+22.66	+20.15

† Based on November 12th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

By William Cochrane

Investors in senior global markets had an uncomfortable time last week.

As measured by the FT-Actuaries World Indices, the US performed better than the other big blocs, with a rise of 1.4 per cent against one of just 0.1 per cent in Europe and a fall of 0.8 per cent in Japan.

However, Wall Street's eventual gains were based on indications of economic recovery, which left an apparent price to be paid elsewhere.

International economists and strategists now expect higher US interest rates, sucking US investment back into the domestic bond market and away from the foreign adventures which have given Pacific Basin, and occasionally European equities, a high old time of it recently.

So far, so good. The US was up, Europe flat, and Japan overvalued, according to analysts and investment managers. But that did not stop Hong Kong advancing a further 8.7 per cent, taking its gain to 76.6 per cent so far this year.

Mr Michael Paterson, at Asia Equity in London, says that US interest rates, for Hong Kong, are a secondary argument. "A sharp rise in US rates would have some effect," he says, "although Hong Kong as an exporter would enjoy a US recovery."

However, adds Mr Paterson, the important thing about Hong Kong is that China has had an economic revolution and that it is using Hong Kong as a financial centre. He argues that the Hong Kong equity market, on a discount to the world on a 1994 price/earnings ratio of 15, should actually be at a premium.

As Hong Kong rose, New Zealand fell, by about the same amount. First, the equity market there failed to get the National government it wanted, and expected, says Ms Pauline McAtamney at Ord Minett in London. Secondly, delays in the outcome of voting on eight marginal seats has produced further uncertainties, which may be resolved when the results are known tomorrow.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 12 1993								THURSDAY NOVEMBER 11 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	154.48	+0.5	154.44	103.66	135.86	156.02	+1.1	3.32	153.65	154.08	103.39	135.13	154.34	162.83	117.39	110.20
Austria (17)	171.60	-1.0	171.55	115.15	150.91	151.52	-0.4	1.04	173.31	173.79	116.62	152.41	152.07	184.47	131.16	140.94
Belgium (42)	151.07	-0.1	151.03	101.36	132.85	134.68	+0.0	4.28	151.23	151.65	101.75	132.99	134.63	156.76	131.19	137.23
Canada (107)	135.54	+0.6	135.50	90.94	119.19	128.86	+0.4	2.60	134.79	135.17	90.70	118.53	128.35	135.54	111.41	114.32
Denmark (32)	239.01	+0.0	238.94	160.37	210.18	219.02	+0.1	1.04	238.93	239.59	160.78	210.12	218.86	241.06	185.11	203.67
Finland (23)	121.07	-0.8	121.03	81.24	106.47	148.17	-0.1	0.71	122.09	122.42	82.15	107.37	148.39	128.99	65.50	69.74
France (98)	162.25	+0.4	162.20	108.86	142.67	149.84	+0.3	3.10	161.61	162.06	108.74	142.11	149.38	173.05	142.72	149.66
Germany (60)	130.06	-0.4	130.02	87.28	114.37	114.37	-0.4	1.86	130.61	130.97	87.90	114.86	114.86	136.13	101.59	108.12
Hong Kong (55)	392.07	+0.5	391.96	263.07	344.80	388.87	+0.5	2.81	390.06	391.14	262.46	343.04	386.95	392.07	218.82	259.05
Ireland (14)	176.45	-0.6	176.40	118.39	155.17	176.64	-0.8	3.21	177.50	177.99	119.44	156.09	178.07	177.89	129.28	126.89
Italy (70)	63.20	+0.6	63.18	42.40	55.57	78.20	+0.6	2.14	62.85	63.02	42.29	55.27	77.75	78.93	53.78	61.39
Japan (469)	148.93	+2.4	148.88	99.93	130.98	99.93	+2.1	0.82	145.48	145.88	97.89	127.95	97.89	165.91	100.75	100.54
Malaysia (69)	483.85	+0.2	483.72	324.64	425.49	475.37	+0.4	1.44	482.79	484.13	324.85	424.56	473.59	487.72	251.66	281.89
Mexico (19)	1818.30	-0.3	1817.80	1220.06	1599.02	6421.34	+1.0	0.77	1823.41	1828.45	1226.85	1603.52	6359.65	1867.70	1410.30	1514.54
Netherland (26)	190.24	+0.1	190.19	127.65	167.30	164.84	+0.1	3.21	190.12	190.65	127.93	167.20	164.61	197.07	150.39	152.98
New Zealand (13)	59.83	+0.7	59.81	40.15	52.62	59.02	+1.1	3.84	59.41	59.58	39.98	52.25	58.41	68.38	40.56	38.65
Norway (23)	176.02	+0.5	175.97	118.11	154.80	175.96	+0.8	1.45	175.08	175.56	117.81	153.97	174.80	185.10	137.71	131.55
Singapore (39)	315.73	-0.8	315.64	211.85	277.65	231.85	-0.6	1.38	318.21	319.09	214.12	279.83	233.34	332.55	207.04	200.69
South Africa (60)	222.41	+1.5	222.35	149.23	195.59	208.79	+1.1	2.57	219.05	219.66	147.39	192.63	206.59	222.41	144.72	142.29
Spain (42)	137.44	-0.3	137.40	92.22	120.86	142.28	-0.2	4.15	137.79	138.17	92.72	121.17	142.59	145.24	115.23	111.07
Sweden (36)	197.77	+1.1	197.71	132.70	173.92	240.22	+0.5	1.45	195.65	196.19	131.66	172.06	238.96	208.92	149.70	157.37
Switzerland (50)	146.37	+0.0	146.33	98.22	128.74	135.84	+0.0	1.60	146.40	146.81	98.52	128.76	135.78	148.18	108.91	108.44
United Kingdom (218)	186.13	+0.2	186.08	124.88	163.67	186.08	-0.1	3.66	185.68	186.19	124.93	163.27	186.19	193.97	162.00	166.16
USA (519)	189.67	+0.6	189.62	127.28	166.81	189.67	+0.6	2.72	188.51	189.03	126.85	165.78	188.51	191.56	175.38	172.71
Europe (751)	156.87	+0.1	156.83	105.26	137.96	151.24	+0.0	3.00	156.68	157.11	105.43	137.79	151.24	162.97	133.92	135.08
Nordic (114)	188.02	+0.5	187.97	126.16	165.35	198.16	+0.4	1.26	187.00	187.52	125.83	164.45	197.47	194.54	142.13	147.22
Pacific Basin (714)	157.66	+2.1	157.61	105.79	138.65	110.22	+1.8	1.09	154.47	154.99	103.94	135.84	108.22	168.80	105.89	105.99
Euro-Pacific (1465)	157.22	+1.3	157.18	105.49	138.26	126.61	+1.1	1.88	155.27	155.70	104.47	136.54	125.26	162.86	117.26	117.76
North America (626)	186.29	+0.6	186.24	125.02	163.86	185.50	+0.6	2.72	185.15	185.67	124.60	162.85	184.38	187.68	171.51	169.09
Europe Ex. UK (533)	138.08	+0.0	138.04	92.67	121.45	130.62	+0.0	2.45	138.01	138.39	92.89	121.40	130.57	143.73	112.51	116.09
Pacific Ex. Japan (245)	242.02	+0.4	241.95	162.42	212.86	225.04	+0.6	2.63	241.16	241.82	162.30	212.10	223.80	245.12	152.70	159.53
World Ex. US (1651)	158.26	+1.2	158.21	106.20	139.18	129.13	+1.1	1.89	156.34	156.78	105.21	137.49	127.78	162.89	118.51	118.76
World Ex. UK (1952)	165.94	+1.1	165.90	111.35	145.95	144.13	+1.0	2.03	164.18	164.63	110.48	144.40	142.72	168.66	134.22	133.17
World Ex. So. Af. (2110)	167.46	+1.0	167.41	112.37	147.27	147.38	+0.9	2.20	165.82	166.27	111.59	145.83	146.08	170.46	137.29	136.10
World Ex. Japan (1701)	179.53	+0.4	179.48	120.48	157.91	175.83	+0.4	2.79	178.76	179.26	120.30	157.23	175.12	181.67	157.47	156.02
The World Index (2170)	167.73	+1.0	167.69	112.55	147.51	147.92	+0.9	2.21	166.08	166.54	111.76	146.06	146.61	170.68	137.32	136.03

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